
North Sea oil
Changing the rules of the game
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FINANCIAL TIMES

Europe's Business Newspaper | TUESDAY MAY 11 1993 | D8523A

Hafnia files for bankruptcy with debts of $1bn

Hafnia Holding, which formerly controlled Denmark's second largest insurance group, filed for bankruptcy with debts of about DKr6.3bn ($1.03bn), making it the country's biggest bankruptcy by a wide margin.

Hafnia Holding went into payments suspension in August last year. Its equity capital was eliminated by the fall in the value of the group's shareholdings in rival Danish insurer Baltica and Skandia, the Swedish insurance company. Page 17

Under pressure: The position of Asil Nadir, fugitive Turkish-Cypriot businessman, appeared to be weakening after Britain stepped up its diplomatic pressure on northern Cyprus. Page 6

Thyssen and Krupp-Hoesch, Germany's largest steel producers, said they would lead a consortium to take over part of the operations of the embattled Klöckner-Werke group. Page 19

Blow to talks: The Palestine Liberation Organisation virtually suspended its role in Middle East peace negotiations, protesting at what it claimed were unfulfilled Israeli pledges. Page 16

Tax plea: The EC is expected this week to call for a dispute settlement panel under the General Agreement on Tariffs and Trade to take up a complaint over US environmental laws which tax cars heavy on fuel. Page 5

Touched by scandal: The meeting today of the Fiat board of directors has been overtaken by Italy's widening political corruption scandal, in which the country's biggest private company has been pitched into the front line. Page 16; PM set to win confidence vote, Page 3

Telecoms move: EC telecommunications ministers laid the foundations for opening ordinary telephone calls to competition by 1998. Page 2

Major signals a UK cabinet reshuffle

John Major, the British prime minister, has signalled that he is prepared to respond to the slump in the government's popularity by reshuffling his cabinet in coming months. Mr Major (left) was warned yesterday by Sir Norman Fowler, chairman of the ruling Conservative party, that he needed to restore his authority as party leader. Page 16; Interest rate speculation sends sterling lower, Page 16 and Lex

In the air: Two rivals in the world industrial gases business, BOC Group of the UK and US-based Air Products & Chemicals, announced similar agreements to purchase helium from Russia and sell it mainly in west European markets. Page 17

Poll issue: The collapse last year of the $5bn investment in Spain by the Kuwait Investment Office has taken centre stage in Spanish politics ahead of next month's election. Page 2

Schering, Berlin-based pharmaceuticals and agrochemical group, confirmed it was holding talks with Hoechst aimed at merging the two companies' agrochemicals operations. Page 18

Marzotto, Italy's second-biggest clothing and textiles group which controls Germany's Hugo Boss, deflated expectations of soaring exports on the back of lira weakness. Page 18

Deal delay: Agreement on a strategy for developing advanced wide-screen television was still blocked last night by a dispute between Britain and its EC partners. Page 2; Lex, Page 16

GPA Group, troubled aircraft leasing company has established a working party to look at the implications of examination, the Irish equivalent to administration. Page 17

Fatal landslide: At least 100 people were dead or missing after a landslide in southern Ecuador buried a small gold mining village, Civil Defence officials said.

Poor payers: British companies are finding it increasingly difficult to persuade continental European customers to pay their bills on time – or at all. Page 6

Canon, Japanese manufacturer of cameras and office equipment, warned that profits for the current year were expected to be less than half its earlier forecast. Page 20

Inside job: Thieves broke into a Vienna prison and made off with Sch50,000 ($4,500) after unlocking a safe, Austrian police said.

■ STOCK MARKET INDICES		
FT-SE 100:	2829.8	(+36.1)
Yield	4.00	
FT-SE Eurotrack 100	1142.74	(+0.33)
FT-A All-Share	1394.42	(+1.1%)
Nikkei	21,054.71	(+243.35)
New York lunchtime		
Dow Jones Ind Ave	3463.49	(+26.30)
S&P Composite	444.86	(+2.55)
■ US LUNCHTIME RATES		
Federal Funds:	2 15/16%	
3-mo Treas Bills: Yld	2.92%	
Long Bond	103 3/32	
Yield	6.828	
■ LONDON MONEY		
3-mo Interbank	5 15/32%	(6%)
Liffe long gilt future:	Jun 102 7/8	(Jun 103 3/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day June	$19.19	(same)
■ Gold		
New York Comex June	$357.2	(357.4)
London	$358.75	(357.8)

■ STERLING		
New York lunchtime:		
$	1.534	
London:		
$	1.535	(1.575)
DM	2.4825	(2.4925)
FFr	8.2925	(8.3975)
SFr	2.2325	(2.2475)
Y	171.55	(173.75)
£ Index	79.9	(80.9)
■ DOLLAR		
New York lunchtime:		
DM	1.6055	
FFr	5.405	
SFr	1.4655	
Y	111.885	
London:		
DM	1.6045	(1.5825)
FFr	5.4025	(5.3325)
SFr	1.4545	(1.4275)
Y	111.75	(110.30)
$ Index	64.2	(63.3)
Tokyo close Y 110.27		

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Hungary	Ft 172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	SLT220	India	Rs40	Nigeria	Naira45	Slovenia	HRD5700
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta200
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils 600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Foreign ministers call on US and Russia to back UN effort with troops

EC firms on Bosnia peace plan

By Lionel Barber in Brussels

THE EUROPEAN Community yesterday called on the US and Russia to send troops to bolster an expanding United Nations-led effort to create "safe areas" for refugees in eastern Bosnia.

The call represents a stiffening of European opposition to the Clinton administration's plans to arm the Bosnian Moslems and a determination to press ahead with economic sanctions to force the Bosnian Serbs to sign the Vance-Owen peace plan.

During a meeting of EC foreign ministers in Brussels, the Europeans played down differences with the US over the Bosnian conflict.

Ministers declared that all options, including military, remained open; but their desire to seize the diplomatic initiative from Washington soon became evident.

Mr Alain Juppé, French foreign minister, won support for his view that the recent split within Serbian ranks over the Vance-Owen plan represented a significant development which reflected the impact of sanctions on the Serbian regime headed by President Slobodan Milosevic.

Ministers agreed it was necessary to test Mr Milosevic's pledge to seal the border with Bosnia, possibly by sending EC civilian observers as part of an international group to see if economic supplies such as fuel and spare parts were filtering through to the Bosnian Serbs.

Bosnian Serb leaders yesterday accused their former Belgrade patrons of stopping them from leaving their self-styled state, saying Serbian police had refused to allow them to cross the frontier.

But the EC proposal which is likely to draw most attention is the French idea to renew invitations to the US – along with Russia and other large powers – to join the UN-led international peacekeeping effort in Bosnia.

Mr Douglas Hurd, UK foreign secretary, said he welcomed the French plan which aims to put teeth into the latest UN resolution to protect Moslem refugee enclaves encircled by Serbian artillery.

French officials said the plan was to use US, British, French and Russian forces to enter safe areas for the Moslems, raising the stakes for Bosnian Serbs. Mr Juppé commented: "They will think twice before attacking [these areas]."

The Clinton administration has remained wary of agreeing to send US ground forces until the warring parties commit themselves to the Vance-Owen plan and a ceasefire is in place.

Yesterday Washington signalled that it would not move closer to military action in Bosnia before a weekend referendum by Bosnian Serbs on the peace plan. "Bosnia is in a holding period at this time," said Ms Dee Dee Myers, White House press secretary.

During a diplomatic mission to Europe last week, Mr Warren Christopher, US secretary of state, made no secret that the US favoured arming the Bosnian Moslems rather than the riskier course of direct US military intervention. The latest EC initiative may therefore be seen as an attempt to sidetrack the military options.

A senior UK official, noting that the Europeans, particularly the British and French, have already put troops in place to assist in humanitarian operations, said: "There is always a different view among those people who are on the ground and those who are spectators."

During the Brussels talks, EC foreign ministers dismissed the Bosnian Serb referendum as a stalling device. Lord Owen, the EC mediator, said it did not have "an ounce of credibility".

Ministers also condemned the latest outbreak of violence against Moslems in central Bosnia, laying the blame with the Croats. But they avoided any discussion of sanctions against Croatia. Mr Klaus Kinkel, German foreign minister, is to hold talks with Croat leaders in Zagreb on Friday.

Taxes on incomes, fuel and alcohol increased and spending programmes reduced

Balladur moves to cut French budget deficit

French prime minister Edouard Balladur (left) and budget minister Nicolas Sarkozy opt for silence before the budget announcement

By David Buchan in Paris

MR Edouard Balladur, the French prime minister, announced wide-ranging measures yesterday to rein in France's growing budget and social security deficits, to give its stalled economy a selective boost and to plug the financial hole in its social security system.

Acting after only five weeks in office, Mr Balladur said: "It is no longer possible to wait any more," before moving to reduce the overall deficits. These would otherwise rise to more than FFr400bn ($74bn) this year – 5.8 per cent of national output.

With a FFr7.7bn increase in alcohol and petrol taxes and a FFr21.5bn reduction in current spending programmes, he said he hoped to restrain the budget deficit to FFr331bn this year, or 4.5 per cent of gross domestic product.

At the same time, he is giving a FFr12.9bn boost to housing, public works and job-creating measures this year.

The broadest increase will be in the *contribution sociale généralisé* (CSG), which taxes earned and unearned income. It is to rise from 1.1 per cent to 2.4 per cent, with much of its proceeds to be devoted to to bailing out the social security system.

Mr Balladur acknowledged the dilemma of increasing taxes during a recession, which the government estimates will reduce national output by 0.1 per cent this year. He said: "I would like to have reduced social charges [like the CSG], but the priority is to put a stop to the growing deficits."

■ Balladur lightens welfare burden on payrolls — Page 2
■ Editorial Comment — Page 15
■ Lex — Page 16

The prime minister was speaking after a cabinet meeting at which the government also approved the draft statute to give the Bank of France autonomy in monetary policy.

At the cabinet meeting, President François Mitterrand questioned whether the constitution would allow the government to surrender control over monetary policy before the Maastricht treaty on European unity, which in the long term obliges it to give up that control, comes into effect.

Mr Balladur conceded that that was "a legally delicate matter", which would require careful consultation over the precise timing of independence for the French central bank.

Mr Balladur warned: "The exponential growth of the deficit and the debt risks deprive France of all margin of manoeuvre, in particular to pursue the lowering of interest rates on which we have embarked."

He said that while short-term rates had come down – reducing government debt service by FFr3bn for every full percentage-point cut – the public debt was more affected by long-term rates, which had shown a lesser decline.

The new French conservative government inherited from the Socialists a budget that assumed 2.6 per cent growth this year. As a result, it overestimated revenue by about 10 per cent, or FFr124bn, and underestimated spending by some FFr44bn, Mr Nicolas Sarkozy, the budget minister said.

On the tax side, the government is counting on the increased CSG to bring in an extra FFr25bn this year, as well as FFr7.7bn from alcohol and petrol taxes, which will of course also be paid by France's many foreign tourists this summer.

US stance on whaling ban rejects controlled hunting

By Robert Thomson in Kyoto

THE US government toughened its environmental policy yesterday, demanding that the International Whaling Commission maintain a ban on whaling regardless of scientific findings.

Pro-whaling nations such as Japan and Norway said the US decision increased the likelihood that the body would collapse. An IWC scientific committee report appeared to clear the way for limited catches in the north Atlantic and in the Antarctic.

Most of the 32 countries represented at the IWC's annual conference, which opened in Kyoto yesterday, are in favour of extending the decade-long moratorium, though few have been as blunt as the US. Its stance suggests that the usually accepted principle of "sustainable development", in which resources can be exploited if they are renewable, does not apply to whales.

US officials said the decision followed a policy review by the Clinton administration, which concluded that a resumption of commercial whaling would not be supported even if the "requisite assessment and management procedures" are agreed by the IWC.

The US went further than the UK government and most other western countries, and could prompt debate on a similar toughening of controls over fauna and flora covered by other international agreements.

Mr John Gummer, the UK minister of agriculture, fisheries and food, in a written statement said yesterday that lifting the ban could not be contemplated until whale numbers were verified.

"Bear in mind that the timetable for the IWC's work needs to be seen in the context of the long history of man's reckless and ruthless exploitation of whale stocks," he said.

A report prepared by the IWC's scientific committee made clear that there appeared to be sufficient stocks for small quotas of minke whales in Antarctica and in the north Atlantic. The committee does not have the power to set catch limits, and referred the matter to the commission.

However the UK still has concerns about the humaneness of whaling methods and the enforcement of any future agreement for limited catches. UK officials said a lifting of the ban is unlikely, but they also expect a proposed vote on a "whale sanctuary" in the Antarctic will not succeed.

The Norwegian representatives said their government would reconsider its IWC membership after the conference, ending on Friday.

In opening the conference, Mr Masami Tanabu, Japan's agriculture minister, said the IWC should adopt an environmentally responsible policy, not unfairly influenced by emotional and political considerations.

Whale-watching nets big cash, Page 4

Danes offered tax break to win Yes vote

By Hilary Barnes in Copenhagen

THE Danish government is putting the finishing touches to a tax reform proposal it will put forward this month if the voters approve the Maastricht treaty and Denmark's opt-outs deal in next Tuesday's referendum.

The income tax reform is expected to provide for substantial reductions in marginal income tax rates, especially for middle-income groups.

Mr Poul Nyrup Rasmussen, the Social Democratic prime minister, who heads a four-party majority coalition government, is telling the voters that if there is a Yes in next week's plebiscite, the second on closer European union, the government will devote its energies to bringing down unemployment, which is running at 12 per cent.

The government's appeal to economic interest seems to have struck a chord with voters.

A poll in Boersen, the business newspaper, yesterday found that 40 per cent of those planning to vote Yes next week said they would do so because it would improve economic conditions.As Tuesday's vote approaches, the substantial majority for the pro-Maastricht side earlier in the year has begun to slip.

The anti-Maastricht movements have taken heart from comments by Mr Martin Bangemann, the EC commissioner for industry, to the effect that the Maastricht treaty could be used to forge a federal Europe.

Ms Drude Dahlerup, a prominent figure in the leftwing-dominated anti-Maastricht June Movement, said she was convinced Mr Bangemann's statement in the Wall Street Journal would boost the No vote. "It will help people to see that the politicians are out to cheat them," she said.

Denmark's four opt-outs – on defence, the common currency, supranational legal and police co-operation, and union citizenship – were specifically designed to meet the electorate's fears that the country would lose its independence and identity by implementing the Maastricht treaty.

CONTENTS

Fears for civilians taken from besieged Bosnian city of Mostar

Croat-Moslem ceasefire agreed

By Laura Silber in Belgrade

A CEASEFIRE was due to come into effect in the Bosnian city of Mostar last night after a second consecutive day of Bosnian Croat attacks on Moslem-led government troops, as Sarajevo radio accused the Bosnian Croats of blatant "ethnic cleansing" of the southern city.

United Nations officials said there were fears for the safety of Moslem civilians, who they said had been taken out of the town in buses after being held in the town football stadium.

"The town was in flames all night," reported Sarajevo radio, while television pictures showed columns of smoke rising from Mostar, already heavily damaged last year in attacks by the Serb-dominated Yugoslav army.

The television also showed hundreds of Moslems apparently being marched out of the city by troops of the Croatian Defence Council (HVO).

A UN statement said Bosnian Croat troops escorted 10 busloads of civilians, including women and children, out of Mostar.

The renewed fighting has blocked a key humanitarian aid route to central Bosnia.

Unconfirmed reports yesterday said dozens of people had been killed and wounded. Croatian radio said seven Croat fighters and one civilian had been killed in fighting on Sunday.

A local priest appealed to all hospitals, which were under HVO control, to treat the wounded equally.

Croatia condemned the newest outbreak of fighting between the one-time allies, although Sarajevo radio claimed that regular units of the Croatian Army were backing the HVO assault.

The fighting appeared to be an attempt by the Croats to exert full control over the Mostar region, which has been designated as Croat under the Vance-Owen peace plan.

Elsewhere, UN observers reached the eastern town of Zepa which is besieged by Serbian forces.

They said that thousands of Moslems had fled the enclave and that only 50 people out of an estimated 30,000 remained in the town.

UN Protection Force spokesman Commander Barry Frewer, giving details of what the observers had found, said: "The township itself is almost deserted. The majority of the houses have been badly damaged.

"There has been heavy fighting, heavy shelling, people have fled into the hills," he added.

Watch over Mostar: A Bosnian Serb soldier crouching behind rocks looks down on the city where Moslems and Croats are fighting

Confusion over Belgrade border ban

By Laura Silber in Belgrade

BOSNIAN Serb leaders yesterday accused their former Belgrade patrons of barring them from leaving their self-styled state.

In often conflicting statements, officials of the self-proclaimed Serb state, which covers some 70 per cent of Bosnia, said Serbian police had refused to allow them to cross the frontier. The ban, if confirmed, would signal another move by the Serbian president, Mr Slobodan Milosevic, to punish the Bosnian Serbs for refusing last week to toe the Belgrade line and support an international peace plan.

Just hours after they rejected the plan, Serbia announced it was cutting off all supplies, except for food and medicine to Bosnia. Serb-held parts of Bosnia, devastated by war, depend almost entirely on Belgrade.

Mr Radovan Karadzic, the Bosnian Serb leader, said: "We are just sad. We know they are squeezed and blackmailed."

Mr Dragisa Jokic, his aide, speaking from Pale, the Serb mountain stronghold, said: "The president did not even try to cross the border. But we received notice from the police that our ministers were banned from crossing."

But an official of the Yugoslav interior ministry denied the ban, reported Tanjug, the Belgrade news agency. Even an aide of Mrs Biljana Plavsic, a hardline member of the leadership, who first claimed to have been blocked at the border, said: "It is just confusion."

Mrs Plavsic, who at Pale publicly snubbed Mr Milosevic by refusing to shake his hand, said border police had handed her a notice which said officials were not allowed in.

"They said they were sorry, but they could not let me cross into Yugoslav territory," Tanjug reported Mrs Plavsic as saying.

Mrs Plavsic managed to cross but did not reveal how she reached Serbia.

Still not ready to take the credit for reform

Leyla Boulton and **Edward Balls** on how big subsidies continue to cripple Russia

MORE THAN two weeks after President Boris Yeltsin's referendum victory, the prospects for Russia's economic reforms seem as precarious as ever. While the reformers struggle to retain influence within the government, the Russian central bank is again in the firing line for lax credit policies which are expected to fuel an acceleration in inflation over the next few months.

The reformers have tried to pin the blame for inflation on Mr Viktor Gerashchenko, the central bank governor, who has been publicly portrayed by both the president and radical ministers as an enemy from within who is recklessly flooding the economy with inflationary credit.

"The reformists are still engaged in a battle with the central bank for tighter credit," former prime minister Yegor Gaidar said in London last week.

Moscow abounds with rumours of Mr Gerashchenko's imminent replacement. One scenario now being rehearsed by radicals is for Mr Boris Fyodorov, the finance minister, to take over the central bank governor's job. This might be accompanied by the return to the finance ministry of Mr Gaidar, although he has denied that he has received any such invitation.

The central bank has reacted angrily to these rumours. "To me it is plain silly to blame the central bank," says Mr Alexander Khandruyev, a deputy governor at the central bank. "It is very hard for the bank to implement a tough monetary policy if the government keeps increasing state credits to regions and enterprises."

Mr Sergie Vassiliev, director of the government's Centre for Economic Reform, confirms that government demands for credits from the central bank have increased in recent weeks. "Thirty per cent monthly inflation reflects the government's inability to control its expenditures," he says. "If Mr Gerashchenko is to blame, it is because he should be saying No to government requests for credits."

Even Mr Fyodorov has found it difficult to practise the financial orthodoxy he has preached to the central bank. Having pushed the central bank to increase interest rates, he has failed to wean the finance ministry off the special low interest rates it continues to pay on central bank credit to finance the budget deficit.

At the root of the inflation problem are subsidies that the Russian state is still paying to the enterprise sector. Experts at western financial institutions estimate that explicit budget subsidies were equivalent to a little over 20 per cent of gross domestic product last year, mainly to enterprises. But the same amount again was paid to enterprises through off-budget credits from the central bank and the ministry of finance.

Recent monetary data had been relatively encouraging, with the monthly inflation rate falling to 21 per cent in March from 26 per cent in February and the growth of central bank credit dropping into single figures. But a rise in government spending and bank credits in the weeks preceding the referendum are expected to cause inflation to accelerate back towards 30 per cent over the next few months.

Neither Yeltsin's government nor the central bank seems willing to shoulder the responsibility for turning off the money tap

A rise in the monthly credit emissions and inflation could not come at a worse time for Russia's reformers, who are negotiating a tough credit stance with officials from the International Monetary Fund in order that promised western aid can be released as early as the end of this month.

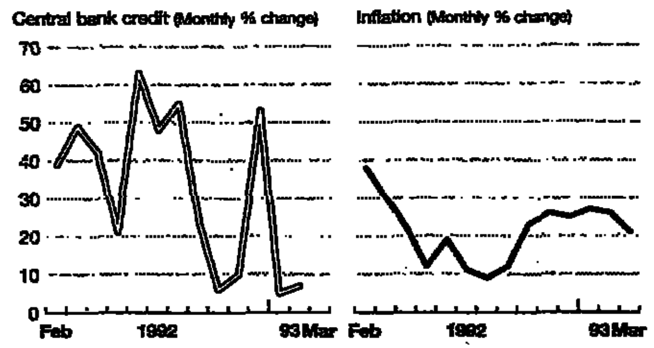
Senior officials from the group of seven industrialised countries say they will require evidence that credit emissions are being controlled and subsidies are being cut before they will release the promised western aid.

But G7 officials, desperately searching for signs that President Yeltsin is using the referendum result to press ahead with reforms, have so far been disappointed. Instead, President Yeltsin has appeared to dilute the government's radical content by appointing two first deputy prime ministers without radical credentials, which has tilted the balance in the cabinet in favour of the conservatives.

An increasingly gloomy Mr Fyodorov wrote last Friday in the newspaper Izvestia that the two weeks since the referendum endorsed radical economic reforms had been wasted. The government was taking no action to close ailing state-owned enterprises while the central bank was continuing to supply the credit to keep them going.

"For instance, the level of subsidies to the coal industry are at least two trillion roubles," Mr Fyodorov wrote. "At the same time everybody recognises the need to close down dozens of inefficient coal mines but nobody is doing anything about it. Is there any country in the world where coal subsidies account for 20 per cent of budget revenues?"

Russia battles against hyperinflation



Source: Russian Economic Trends, Centre for Economic Reform

Neither side is blameless. Both the central bank and the government find it much easier to accuse each other than face up to the monumental difficulties involved in bringing inflation under control.

"It is very dangerous to make the central bank a scapegoat," says Mr Khandruyev. "The central bank should be organising a payments system, stabilising the rouble and managing a tight monetary policy, not be dragged into political confrontation," he says.

"You can replace Mr Gerashchenko but what will happen tomorrow? Somebody has got to take the burden of responsibility on their shoulders."

Pact on wide-screen TV still eludes EC

By Andrew Hill in Brussels

AGREEMENT on a European strategy for the development of advanced wide-screen television was still blocked last night by a dispute over funding between Britain and its 11 EC partners.

But British officials said telecoms ministers were closer than ever before to a deal on advanced television, based on a compromise tabled by the Danish presidency of the Community.

Earlier, Mr Edward Leigh, the British telecoms minister, indicated that the UK was not prepared to back a funding plan which would cost the Community more than Ecu150m (£118.5m) between now and 1998.

The UK's EC partners welcomed this as the first sign that Britain, which has been blocking a deal for 18 months, was prepared to allow any Community funding for such a plan. But most member states believe at least Ecu200m is necessary to kick-start what they hope will be a lucrative market for wide-screen, cinema-quality television in Europe.

Failure would not necessarily lead to the disintegration of the Commission's seven-year-old ambition to back European advanced television against US and Japanese competition. Discussion would almost certainly resume on June 16 at a special meeting of telecoms ministers in Luxembourg.

Under the Danish plan, the Community would match funds put up by programme-makers and broadcasters wishing to develop programmes in the new wide-screen format. Some of the total EC funding would be held in reserve to back projects submitted later by countries with less well-developed audio-visual industries.

EC backs phone charges reform

By Andrew Hill in Brussels

EC telecommunications ministers yesterday laid the foundations for opening ordinary telephone calls to competition by January 1 1998.

Ministers voiced their general support for the 1998 deadline for liberalisation of domestic and international telephone calls, as laid out in European Commission proposals published last month. But there was less enthusiasm for the possibility of allowing rival networks to compete by exploiting existing infrastructure or building new networks.

The ministers also reached agreement on a technical directive which will harmonise conditions for companies which want to use telecoms networks to provide voice services and lay out users' rights of access. The directive on so-called "open network provision" (ONP) for voice telephony is a prerequisite for further liberalisation of telephone calls.

On the wider liberalisation proposals, a number of member states – Greece, Spain, Portugal, Belgium and Ireland – said they would need more than five years to improve their own networks.

The Commission has suggested that countries with particular difficulties could be granted a two-year extension of the deadline.

The speed of liberalisation will be the main battleground when ministers begin in-depth discussions on the timetable at their next scheduled meeting on June 16.

Britain, which wants swift liberalisation, said slow progress would hamper European industry.

"The date of 1998 is already too long and certainly anything beyond that is out of the question," said one UK official yesterday.

However, Britain welcomed the more flexible attitude of the new French coalition government.

Paris has now given broad backing to the Commission's proposals, while calling for the Community to create favourable conditions for private innovation in the sector.

KIO's Spanish collapse becomes top election issue

By Peter Bruce in Madrid

THE COLLAPSE last year of the $5bn investment in Spain by the Kuwait Investment Office (KIO) has taken centre stage in Spanish politics ahead of next month's election. The opposition is calling for legal action against Prime Minister Felipe Gonzalez and members of the government for failing to supervise Kuwaiti activities in Spain.

The issue threatens to reignite a row over Madrid's responsibility in the collapse of the KIO's Spanish empire, which may yet destroy the country's biggest fertiliser, chemicals and foods companies, with a potential loss of 30,000 jobs.

Unions and opposition politicians said last year that the government had been negligent in allowing the Kuwaiti government's foreign investment arm into Spain without scrutinising each of its investment proposals in cabinet first.

The government has replied that it did not know that the companies through which the KIO was investing in Spain were controlled by the state of Kuwait. But, according to a report released yesterday by the conservative opposition party, the Partido Popular (PP), which some opinion polls put slightly ahead of Mr Gonzalez' socialists, the government has been lying.

"The KIO is and always has been a part of the State of Kuwait," said Mr Francisco Alvarez-Cascos, secretary general of the PP.

That is well known but the government has so far managed to confuse critics by saying it never knew enough about the KIO.

Mr Carlos Solchaga, the finance minister, said earlier this year he had always thought the KIO investments were private.

Under Spanish law, investments by a sovereign state require cabinet scrutiny and approval. In the case of the KIO, the Kuwaitis moved billions of dollars in profit and investment into and out of Spain between 1986 and 1992, it seems, without the cabinet ever being asked to see one piece of paper.

Yesterday Mr Alvarez-Cascos produced a letter, written in June 1988 by Mr Manuel Conthe, then director general of external transactions in the Finance Ministry and since promoted to head of the Spanish Treasury, which strongly contradicts the government's current position.

Addressing himself to the secretary of state for commerce and the finance minister's chef de cabinet, Mr Conthe said the "investments by the KIO in Spain fall fully within (the law) requiring their prior authorisation by the cabinet. Given that until today... these investments have been treated as private, there exists a clear divergence between the law and the reality."

While the PP report does little more than confirm that the government knew what everyone else knew, and while its timing is clearly electoral, the letter will add to the widespread impression in Spain that the government has not been rigorous with the law.

Strike threat recedes in Sweden

By Christopher Brown-Humes in Stockholm

THE PROSPECT of serious industrial unrest in Sweden receded yesterday after engineering unions accepted a 3 per cent wage rise over two years.

The pact averted an overtime ban affecting 400,000 workers, due to start yesterday, and is expected to be a benchmark for wage talks in other sectors of the recession-hit economy.

"This means there will probably not be a general strike or large industrial conflict this year," said Mr Mats Eriksson, a spokesman for the LO blue collar trade union confederation.

Many of Sweden's big multinationals welcomed the breakthrough and bond prices reacted positively.

Balladur lightens welfare burden on payrolls

David Buchan reports on a plan aimed at easing pressure on employers to shed jobs

PRIME Minister Edouard Balladur yesterday took a couple of steps towards financing more of the French welfare state out of general taxation and less out of the payroll contributions that help generate France's chronically high unemployment.

His two main proposals here are an increase from 1.1 to 2.4 per cent in the so-called generalised social contribution (CSG) – a kind of income tax whose proceeds go to funding social security – and a shift in some of the "social" payroll charges employers have to make for their lower-paid workers, to the charge of the state. This shift will only involve some FFr8bn (£960m) this year, but eventually Mr Balladur hopes to transfer the cost of all family allowances, running at nearly FFr200bn a year, off the backs of employers and onto that of the state budget.

The problem which Mr Balladur is tackling is that France puts more of the burden of its welfare system on its active workforce than any other EC country. Social security contributions by employers/employees accounted for 44.2 per cent of tax receipts in France in 1990, compared with a Community average of 28.4 per cent, 17.5 per cent in Britain and only 3.1 per cent in Denmark (which has the opposite bias, loading virtually all welfare costs onto general taxation).

This has given French employers a particular financial incentive to shed labour, so that more than 3m are now out of a job. The more people drop out of the active workforce, the fewer are left to finance the welfare system on which correspondingly greater demands are made in a time of high unemployment (hence, the deficits shown in the accompanying table).

But Mr Balladur's reforms do not go very far, though he has proposed setting up a "solidarity fund" to cover the accumulated social security debt, which a government-ordered audit last week forecast – without yesterday's corrective measures – would rise to nearly FFr135bn by the end of this year.

Increasing the CSG is a very useful of righting the imbalance in welfare funding. It bears not only on salaries, but also on unearned income such as dividends, and is therefore more "progressive" than social security contributions. But it was introduced in 1990 by the Socialists, and as such is strongly disliked by Mr Balladur's conservative coalition. As a sop to his supporters, Mr Balladur is proposing that the extra 1.3 per cent in CSG payments should be deductible from individuals' income tax.

This will only add to the many deductions which French taxpayers can take. According to Banque Indosuez, only half of French households pay income tax at all, compared with three quarters in most other industrialised countries. For those who do pay something to the *fisc* (tax office), deductions allow them to take an average of half their disposable income out of their taxable income. Mr Balladur was himself responsible for narrowing the income tax base when he was finance minister in 1986-88. Now heading a government which came to power promising to put more into people's pockets than it takes out, he did nothing yesterday to remedy his earlier acts.

But he is looking to the redoubtable Mrs Simone Veil, the ministerial overlord for social services, to find up to FFr25bn savings a year in the French health system, Europe's most generous. According to OECD figures, France spends an average FFr10,000 keeping each of its citizens healthy.

Mr Balladur is proposing that the French should work a bit longer for a slightly less generous pension. At present, the French qualify for a full pension after 37.5 years of work; this threshold would be raised gradually to 40 years. At the moment, pension levels are based on the average of a workers' 10 best-paid years; the level will now be calculated over a 25-year period.

But France still faces the problem that, along only with Italy inside the EC, its pension system is still run hand-to-mouth, with contributions coming in from the employed forming the sole source of money being paid out to the retired. Unlike the other 10 EC states, France does not yet have a system of private pension funds, invested in the stock market and providing a supplement to the state scheme.

SOCIAL SECURITY ACCOUNTS (FFrbn)

	1990	1991	1992
Unemployment insurance	+ 3.6	–8	–15.2
Sickness insurance	– 9.3	–3	–6.2
Work accident insurance	+ 2.5	+0.5	+2
Pensions	– 6.6	–18.7	–17.9
Family allowances	+3.8	+4.6	+6.4

Source: Raynaud report

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 6000 Frankfurt am Main 1, Germany. Telephone 49 69 156 850. Fax 4969 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 6078 Neu-Isenburg 4 (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41. Fax 33 93 53 35.

US softens its policy on Ukraine

By Chrystia Freeland in Kiev

Mr Strobe Talbott, America's special ambassador to the former Soviet Union, yesterday launched a softer US policy towards Ukraine, having apparently realised that efforts to pressure Ukraine to fulfil its pledge to become non-nuclear have succeeded only in strengthening Kiev's growing pro-nuclear lobby.

"This visit demonstrates that a new, independent state and a new administration in Washington have been able to turn over a new leaf in their relations," Mr Talbott said.

The most concrete result in the shift from cool relations to meetings, which Mr Talbott described as "cordial", was an American offer to act as a mediator between Ukraine and its sometimes hostile neighbour, Russia.

"We told our Ukrainian hosts that the US would like to try to find a way to serve as a facilitator in the complex relations that exist between Ukraine and Russia, if that is acceptable to both sides," Mr Talbott said.

These are reassuring words for Ukrainian officials, who in the past few weeks have expressed fears that the US was willing to act in concert with Russia in an attempt to pressure Kiev into surrendering its nuclear missiles.

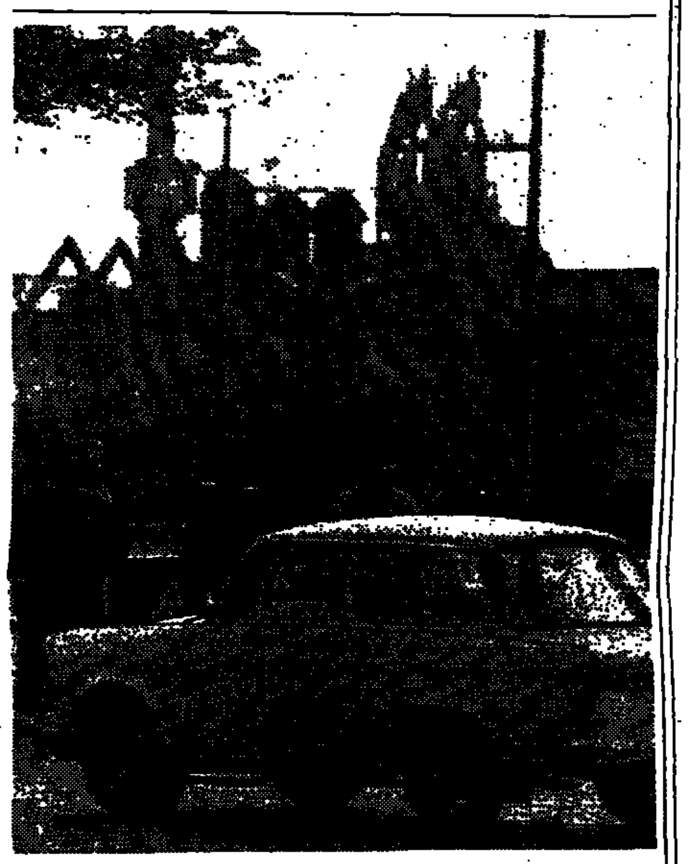
A sign of the thaw in the US-Ukrainian relationship was Mr Talbott's last-minute meeting with the Ukrainian president, Mr Leonid Kravchuk, who had initially refused to meet the US envoy.

A senior Ukrainian official said that the US delegation had made an important new proposal with regard to Ukrainian security. He said that he expected an American announcement on this issue in the near future.

Finding an arrangement which assuages Ukraine's security concerns could have a crucial impact on the Ukrainian parliament, which is scheduled to begin debate about the Strategic Arms Reduction Treaty and the Nuclear Non-Proliferation Treaty next week.

Ukraine's tentative rapprochement with the US could also help clear the way for assistance from the International Monetary Fund,.

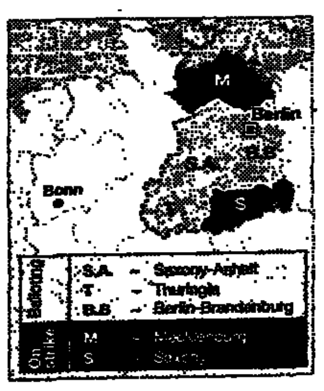
Ukrainian officials have said that if the government succeeds in its campaign to take tighter control over the central bank later this month they could receive an initial tranche of $250m by the end of July.



Pickets block entrance to the Eisenhüttenstadt steel plant

IG Metall vote on wider strikes

By Judy Dempsey in Berlin



IG METALL, Germany's giant engineering union, yesterday started balloting 75,000 metal and electrical employees from Berlin-Brandenburg, Saxony-Anhalt and Thuringia on whether they want to join 37,000 metal and steel workers who have been on strike for just over a week. The results are expected tomorrow.

It will also ask its members in western Germany to demonstrate tomorrow in support of higher wages for their eastern counterparts. The demonstrations, intended to convey a token sense of national solidarity, will take place at lunchtime, not during work hours.

Union officials said they would continue the strategy of targeting more enterprises each day as a means of keeping up the pressure on the employers to reinstate a contract signed with the union in March 1991.

The contract aimed at equalising west and east German wages by next year, which would have meant a 26 per cent pay increase this year for the metal and electrical sector, and 21 per cent for the ailing eastern German steel industry. The employers cancelled the contract because of the economic deterioration in the two parts of Germany.

However, Gesamtmetall, the metal and electrical employers' association, was optimistic yesterday that the strike would end "by the end of this week". It indicated that both sides were using talks which resume tomorrow in the Saxon capital of Dresden as a negotiating framework through which the strike could end without either side losing too much face.

As it stands, IG Metall is prepared to put back the timetable towards income parity, but wants to retain the principle of the original contract, particularly this year's pay rises.

IG Metall might also be prepared to forgo special Christmas bonuses and extra pay linked to productivity, in return for a guaranteed increase in the basic wage. That would mean about 18 per cent for the metal and electrical industry in the east.

Debts cloud mayor's vision of Nîmes reborn

Alice Rawsthorn on a southern town's revival efforts

MR Jean Bousquet this month celebrated one of the highlights of his decade as mayor of the city of Nîmes in southern France with the inauguration of the Carré d'Art, a spectacular new modern art museum and médiathèque designed by Sir Norman Foster, the British architect.

The Carré d'Art was conceived as a counterpart to the nearby third-century Roman temple, Maison Carrée. It has cost FFr383m ($70.7m) and is by far the most grandiose of all the buildings commissioned by Mr Bousquet since he launched his ambitious architectural programme 10 years ago.

But instead of marking the summit of Mr Bousquet's achievements, the opening of the Carré d'Art has been clouded by concern about the cost of Nîmes' new buildings in these difficult economic times.

Nîmes was in decline when Mr Bousquet, the conservative chairman of the Cacharel clothing company, became mayor in 1983. It was a sleepy southern tourist town. Young people were drifting away, leaving an ageing population behind them.

The new mayor was particularly frustrated by the contrast between Nîmes and neighbouring Montpellier. The two cities were the same size in the early 1960s. But Nîmes had since shrunk, while Montpellier was thriving thanks partly to the dynamic arts and economic policies of Mr Georges Frèche, its Socialist mayor and one of Mr Bousquet's local rivals.

Mr Bousquet started his own regeneration strategy. While President François Mitterrand was flinging up the *Grands Projets*, his pharaonic architectural schemes in Paris, Mr Bousquet initiated his own *Petits Projets* in Nîmes. The level of investment rose from FFr88m in 1982, the year before Mr Bousquet became mayor, to a 1988 peak of FFr403m.

Nîmes has emerged with an impressive collection of contemporary buildings, including the Carré d'Art, the Nemausus housing project by Mr Jean Nouvel of France, and a sports stadium by Italy's Mr Vittorio Gregotti. Mr Bousquet has also drafted in famous French designers including Ms Andrée Puttnam, who overhauled the city's park benches, and Mr Philippe Starck, who created a civic logo.

Mr Bousquet has undoubtedly succeeded in modernising Nîmes' image. The Georges Pompidou Centre in Paris even staged an exhibition dedicated to his architectural policy. But his new buildings were intended to attract more than critical praise. They were also supposed to encourage an economic revival.

There are some positive signs. The exodus from Nîmes has stopped. The population has grown by about 4,000 to 133,607 since 1983 and 2,000 jobs have been created.

But the city has also been left with heavy debts, and the level of unemployment, at 17 per cent, is still well above the national average of about 10 per cent.

Mr Bousquet now faces the challenge of reducing the debt and tackling unemployment. He has stopped spending so much money, with investment falling to FFr283m last year from its 1988 peak. The level of debt per inhabitant has fallen from FFr3,802 in 1989 to FFr2,335 in 1992.

But Mr Bousquet's hopes of reducing it further by selling land to private developers – as Mr Frèche did in Montpellier during the buoyant 1980s – could be impeded by the sluggishness of the property market. The recession could also hinder his hopes of capitalising on the publicity generated by Nîmes' new buildings to attract investment.

At present local attention is distracted from these issues by the furore over the dismissal of Mr Simon Casas, high-profile director of the Arènes.

Mr Casas, a former matador who relaunched the Arènes (arena) by bringing in a string of celebrity bullfighters, unsuccessfully challenged one of Mr Bousquet's allies for a conservative candidacy in this spring's parliamentary elections. Three days after the elections he was fired, triggering a blistering row with Mr Bousquet.

Once the row has died down, and the excitement of the Carré d'Art opening evaporates, Mr Bousquet and the Nîmois will have no more distractions from the mundane matters of paying off debts and creating jobs in a chilly economic climate.

Another *Petit Projet* is in the pipeline: a university for 4,000 students on the site of the 17th century Fort Vauban. Mr Bousquet has also begun an ambitious urban plan to redefine the city's boundaries, extend its green spaces and link the ancient aspects of its architecture by new roads including an 8km *Grand Axe* designed by Sir Norman Foster.

Italian PM set to win a second confidence vote

By Haig Simonian in Milan

THE Italian government of Mr Carlo Azeglio Ciampi looked set yesterday for a comfortable victory in a vote of confidence in the senate, the upper house of parliament, which is scheduled for later this week. The debate, marking Mr Ciampi's second parliamentary test within a week of last Friday's successful vote of confidence in the chamber of deputies, came during a sharp rise in the value of the lira as backing for the new government gathered momentum.

The lira was quoted at L916.88 against the D-Mark, its highest level since early January. The currency started gathering strength last week as dealers regained confidence in Mr Ciampi's government after a shaky start when four ministers resigned within hours of taking office.

The upturn came as Mr Antonio Fazio, Mr Ciampi's successor as governor of the Bank of Italy, told fellow central bankers in Basle that a recovery in the Italian economy could not come through lower interest rates alone.

Mr Fazio is expected to follow Mr Ciampi's line in urging further action to cut the budget deficit. Like Mr Ciampi, Mr Fazio is expected to reassure investors there are no plans for a compulsory "consolidation" of the national debt by unilaterally lowering interest rates or extending maturities on savers' existing holdings of government bonds.

LDP under pressure on Cambodia

By Charles Leadbeater in Tokyo

THE JAPANESE government will come under pressure to review its peacekeeping operations in Cambodia in a special parliamentary session on Thursday, called in response to the shock provoked by last week's killing of an unarmed Japanese policeman.

The opposition parties plan to grill the ruling Liberal Democratic party over whether the mounting violence violates terms of the Paris peace accord under which Japanese peacekeepers were sent to help pave the way for elections this month. One condition for sending unarmed police was that a ceasefire should be in place.

The killing last week of Mr Haruyuki Takata in an ambush on UN vehicles was blamed on guerrillas from the Khmer Rouge faction, which is boycotting the elections.

The government appears determined to sit out what it regards as a war of nerves in Cambodia, while pressing for improved security for Japanese personnel, but the opposition parties are likely to press the government to consider withdrawing peacekeepers if the situation deteriorates.

The damage this would inflict on Japan's aspirations to a wider world role were pointed out by Mr Goh Chok Tong, the visiting Singaporean prime minister, who warned a withdrawal would signal that Tokyo no longer wanted to play an international role.

To underline its commitment to UN peacekeeping, the government yesterday ordered 48 troops to join UN peacekeepers in Mozambique.

The United Nations Transitional Authority for Cambodia agreed that 41 Japanese civilians being sent to monitor the elections should be sent to the south, near where 600 Japanese military personnel are engaged in engineering work.

● Royalist Cambodian guerrillas and the Khmer Rouge, long-time allies in the civil war, exchanged artillery fire over the weekend in the north-west, UN officials said yesterday, Reuter adds from Phnom Penh. The fighting was apparently prompted by the killing of the Japanese police officer by Khmer Rouge guerrillas in a zone nominally controlled by the monarchists.

Whale-watching nets big cash

By Bronwen Maddox, Environment Correspondent

SOME 4m people a year pay to lean over the rail of a boat and scan the waters for Moby Dick, according to a UK government discussion paper.

The report estimates that whale-watching – one of the latest temptations for tourists – is worth more than \$300m (£190m) a year. It argues that whale-watching could be worth much more than killing whales for meat.

The figures, prepared with environmental groups, have been published as part of this week's fierce campaign by anti-whaling countries and environmental groups to stop the IWC lifting its present ban on commercial whaling, as Japan and Norway want.

The report says that in the early 1980s whale-watching, mainly confined to North America, raised only about \$4m a year. But since 1981 revenue from the excursions – including whale-spotting from aircraft – has grown at an average of 49 per cent a year.

North America has by far the greatest number of whale fans: the US collected more than 60 per cent of the estimated \$320m worldwide revenues in 1991.

Japan and Norway, which have observed the IWC ban since 1987, earned an estimated \$3.8m and \$1.6m respectively. In Norway's last year of commercial whaling its catch of 387 whales made the country only NKr13m (£1.23m).

An anti-whaling activist displays his placard below whale-shaped balloons yesterday in Kyoto as the International Whaling Commission's annual conference gets under way

WHO acts on allegations of vote-buying

THE WORLD Health Organisation decided yesterday to tighten its financial rules after allegations of vote-buying in the recent election of its chief, Dr Hiroshi Nakajima, Reuter reports from Geneva.

In a resolution adopted by consensus at the agency's annual assembly, member states asked Dr Nakajima to set a clear policy on granting contracts to members of the WHO executive board, which implements the decisions of the annual WHO assembly.

The move follows a highly critical external audit which found shortcomings in six contracts awarded to members of the 31-member board before it renominated Dr Nakajima in January.

Member states confirmed the nomination by 98 votes to 53 last Wednesday, giving Dr Nakajima five more years as director-general of the United Nations agency.

The external audit by Britain's auditor-general Sir John Bourn did not directly link any of the contracts to Dr Nakajima, but pointed out that five of them had been signed off by another senior Japanese official in the UN agency.

Monday's resolution, which still needs the formal approval of the plenary assembly, welcomed an announcement by Dr Nakajima last week that he planned significant reforms of the agency. However it asked him to take further steps to implement the auditor's recommendations.

● Unesco's cash flow has improved significantly in the past few months, Mr Frederico Mayor, director general, told a public meeting of its executive board in Paris yesterday.

The organisation has received \$116m from member state's since the board last met in October, Mr Mayor said. The organisation, which is perennially short of cash, was forced to borrow money last October, but Mr Mayor said these loans had now been repaid in full.

Unesco now has a surplus of \$30m, Mr Mayor said.

● The head of the UN Environment Programme pleaded yesterday for more cash to help Unep end bad planning and implement priority programmes.

Ms Elizabeth Dowdeswell, executive director, told a Unep governing council meeting in the Kenyan capital Nairobi that without a stable budget the environment watchdog would "simply not have the means to implement the tasks assigned to it."

Syria's economy shackled by old institutions

Government contradictions are hampering booming private sector, writes James Whittington

AN EXPLOSION in the number of privately-owned imported mini-buses taxiing the streets of Damascus has solved the city's public transport shortage but is causing a headache for town planners charged with reducing traffic congestion.

Such is the price of Syria's drive towards economic liberalisation. While the past two years have witnessed a boom in private sector investment, fuelling impressive economic growth, contradictions remain in the government's efforts to establish a more market-oriented economy.

There are no plans to sell off the large, overstaffed and inefficient public institutions. Foreign businesses are still deterred by an unwieldy two-tier foreign exchange rate, and political liberalisation remains firmly off the agenda. The regime is still cautious about how far it can go towards a free market.

Economic change began in the 1980s in the wake of a severe shortage of hard currency, with the government eager to repatriate some of the many billions of dollars estimated to be held by Syrians abroad. It was spurred by the demise of communism in eastern Europe and, in particular, the break-up of the Soviet Union, Syria's leading ally, and by aid from the Gulf states grateful for President Hafez Assad's stance in the anti-Iraq coalition after the invasion of Kuwait.

The government focused on the liberalisation of trade and promotion of the private sector. With 1991's Investment Law Number 10, the cornerstone of reform, investors were able to import equipment duty free, qualify for tax concessions, and repatriate profits in hard currency.

Since then, the government's investment office, overseen by Mr Assad himself, has agreed to 757 private-sector projects with a total capital of S£96bn (£2.87bn). As a result private sector export earnings have shot up from S£1.47bn in 1989 to S£6.37bn in the first 10 months of last year.

This, combined with an increased production of hydrocarbons and a booming agricultural sector, resulted in real gross domestic product growth of 7 per cent last year. Agriculture last year accounted for 26.1 per cent of gross domestic product. Crude oil production averages 570,000 barrels a day and export earnings from petroleum and associated products was about \$2bn (£1.2bn) in 1992.

Imports have also risen sharply because of an easing of trade restrictions. Shops are now filled with a diverse range of goods, many not available before Law Number 10, and there has been a marked increase in imported cars and agricultural machinery. According to preliminary figures from the Ministry of Economy and Foreign Trade, Syria's import bill last year rose by 28 per cent to S£36bn compared to exports of S£38bn

The government's growing confidence in the economy is demonstrated by the 1993 budget, approved by parliament last week, which allocates a 24 per cent increase in projected spending to S£123bn.

Despite the success of reforms so far, sources of investment have remained limited to mainly Syrian, Gulf, Lebanese and Jordanian interests. Most western companies are cautious of the remaining hangovers of a command economy and Syria's outmoded infrastructure.

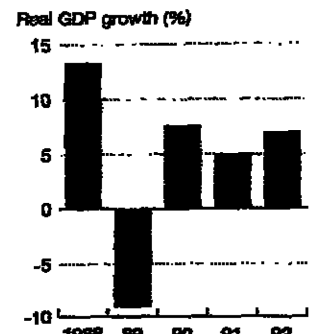
Daily power cuts and unreliable international telephone lines do little to boost foreign confidence, although a regional electricity grid with Egypt, Jordan and Turkey is planned for 1997 and Siemens of Germany this month began the installation of 700,000 telephone lines.

The main deterrent to foreign investment, however, is the unwieldly foreign exchange controls, with two exchange rates and severe prison penalties for violations of these controls.

Mr Khalid al-Mahayni, Syria's finance minister, says the government is committed to unifying the rates, but "gradually, so as to avoid social difficulties". Hydrocarbon sales and custom tariffs are calculated according to the official rate of S£11.2 to the dollar, whereas "all private sector exports are treated by the exchange rate in neighbouring countries", which closely shadows the free market rate of S£43 to the dollar.

Syria

Real GDP growth (%)



Source: EIU

In the 1993 budget, private investment projects were calculated for the first time at the exchange rate of neighbouring countries as a step towards free market competition in the region.

Other planned reforms include new state-owned specialised banks for investors and exporters, and a Damascus stock exchange. Syrian entrepreneurs are unlikely, however, to be buying shares in privatised state assets.

Mr Mohammad al-Imadi, minister for economy and foreign trade and one of the chief reformers of Syria's economy, says public institutions will be reformed rather than privatised. "We believe in the public sector. It plays an important role in our infrastructure. The idea of our economic reform is not to transfer ownership, it is to add to what we already have," he says.

Reform of the public sector entails the promotion of export activities and access to hard currency banking facilities rather than redundancies and cost-cutting structural changes which would be strongly opposed by the establishment.

Mr Imadi acknowledges that successful private investors will eventually seek a political voice, but while Mr Assad remains in power such a scenario is improbable.

Despite speculation that he suffered further heart problems earlier this year, officials and diplomats in Damascus maintain that he is in good health.

Although Syria has the potential to establish a successful mixed economy, a free market will depend on the outlook of his successor.

India vows to punish banks

INDIA'S central bank governor has vowed for the first time to penalise banks involved in the country's biggest financial scandal, but gave no hint on the punishment he envisaged, Reuter reports from Bombay.

"We are going to fix responsibilities and award punishments and penalties," Mr Chakravarty Rangarajan, Reserve Bank of India (RBI) governor, was quoted as saying in the Economic Times published yesterday.

"For banks as institutions, the RBI will affix responsibilities, while for individuals, it will be done together with the senior management of banks," Mr Rangarajan said.

The scandal involved banks and brokers alleged to have colluded to siphon money from the interbank securities market to pump into the Bombay stock market.

Bankers said the RBI could impose fines, hold up promotions of individuals involved, or seek their dismissal or transfer. As an extreme step it could withdraw a bank's licence to operate in a particular financial sphere.

Kyrgyzstan dumps the rouble

KYRGYZSTAN replaced the rouble with its own currency yesterday, but people in the Central Asian nation viewed the brightly-coloured banknotes with distrust, Reuter reports from Bishkek.

The launch of the "som" is aimed at strengthening Kyrgyzstan's economic independence from Russia and shielding it from the rampant inflation afflicting virtually all former Soviet republics.

However, bank managers and employees in the capital Bishkek said that demand for the new currency was poor.

"Only a stupid fool would buy som," said one owner of a private retail outlet in Bishkek.

"Who will have confidence in it? There is nothing to ensure its value."

State-owned shops were ordered to accept the new money at the official offer rate of Rbs200 to one som.

Kyrgyzstan's parliament voted last week to become the first Central Asian nation to establish its own currency after the rouble's rapid devaluation against the US dollar.

Clinton goes on tour to recapture lost élan

By George Graham in Washington

PRESIDENT Bill Clinton yesterday set out to recapture some of the élan of his election campaign last year, and to garner from voters in the Midwest the support that has been eluding him in Washington.

Troubled by his fast fading approval ratings in opinion polls and by the obstacles he has found in Washington to his legislative agenda, Mr Clinton took his case to a more sympathetic audience at a shopping mall in Cleveland, Ohio.

Mr Clinton, who last week tried to "refocus" his administration by adjusting the White House staff structure, mocked those who have criticised him for trying to do too many things at once, asking for help in pushing his economic proposals through Congress as a whole, instead of allowing interest groups to whittle away at each component.

"We've got to do it as a package. If everybody goes around saying what's in it for me instead of what's in it for us, the thing will come apart," he said.

By whipping up public enthusiasm for his programme, Mr Clinton could strengthen his hand with his fellow Democrats in Congress, whose first flush of party loyalty has disappeared as fast as the president's stock has fallen.

Back in Washington, however, his critics complain that the two day Midwestern tour showed Mr Clinton turning his back on the unforgiving task of governing in favour of the more congenial pastime of campaigning.

With foreign policy issues such as the Bosnian conflict looming intractably but unavoidably on its agenda, the new administration has been haunted by Mr Clinton's promise to focus "like a laser beam" on the economy. His principal success in this sphere, the swift passage of a framework budget, was quickly overshadowed by his failure to push through a much smaller short-term spending package.

Some administration officials and many Democratic leaders are now worried that the ambitious reform of the healthcare system, which Mr Clinton plans to launch next month, will overload a Congress already choking on the details of a budget plan it has passed only in outline.

A centrepiece of the budget proposals, the energy tax, is being attacked by everyone from aluminium producers to farmers. Democratic officials are even more concerned, however, by the persistent sniping of Mr Ross Perot, the Texas billionaire, whose poll numbers have been rising as Mr Clinton's have fallen.

Coal miners select targets

THE United Mine Workers of America yesterday announced selective strikes against three US coal producers in an attempt to win job security rights in a new national labour contract, writes Laurie Morse in Chicago.

The strikes target Amax Coal, the third largest coal producer in the US and a wholly owned subsidiary of Amax, the aluminium manufacturer, and the smaller Arch Mineral and Ziegler Coal. The union promised to broaden action until coal operators responded to its demands.

UMWA coal miners have been working without a contract since May 3, when an extension to their contract expired. At issue is the union's insistence that new mines opened by members of the Bituminous Coal Operators' Association should automatically be staffed by union labour.

While the selective strike hits just as the US enters its heaviest demand period for electricity – the summer air-conditioning season – observers say the stoppage will not have a noticeable impact for several months. "Most electric utilities have fair coal stockpiles, and the US coal supply is not 100 per cent union," said Mr Ralph Barbaro, an energy analyst.

Peabody Coal, a subsidiary of Hanson of the UK, is not targeted. A month-long strike there in February ended when the union and mine owners agreed to the two-month contract extension with the BCOA which expired this month.

Brazilians eager to finalise debt deal

By Christina Lamb in Rio de Janeiro

BRAZIL begins a new round of talks with its creditor banks today with both sides apparently anxious to finalise a deal restructuring the country's \$44bn (£28.5bn) commercial debt, despite its failure to secure an IMF accord.

The eagerness to move ahead with the deal regardless has been partly prompted by Brazil's lack of progress with the IMF; Mr Eliseu Resende, finance minister, was sent away empty-handed from negotiations two weeks ago. IMF officials voiced concern at Brazil's frequent changes of finance minister and the new economic plan, which focuses on growth rather than combating inflation, running at nearly 30 per cent a month.

Brazil had been hoping for the IMF accord in order to obtain funds from multilateral institutions to cover half the \$3.2bn needed as guarantees for new bonds to be issued under the debt agreement worked out last July. However, in recent weeks the Brazilians have been sending strong signals that they are willing to put up all the money for guarantees from their reserves, now at a historic high of \$23bn.

Mr Fernando Henrique Cardoso, Brazil's foreign minister, was in Washington yesterday to meet Mr Lloyd Bentsen, US Treasury secretary, to request American support for the deal's conclusion.

Stephen Fidler on the first civilian leader for almost 50 years

Wasmosy wins in Paraguay's presidential poll

PARAGUAY remains Colorado country. Voters on Sunday elected Mr Juan Carlos Wasmosy of the Colorado party for a five-year term as head of state. Paraguay's first civilian president for almost 50 years will after all come from the party of General Alfredo Stroessner, the dictator of 34 years deposed in a 1989 coup.

Riven by dispute between those faithful to Gen Stroessner's legacy and its more modern wing backing Mr Wasmosy, 55, the party nevertheless managed to mobilise enough support to secure victory thanks to the loyalty of voters in the countryside.

Estimates yesterday morning from Saka, an organisation counting voter returns, showed Mr Wasmosy with 40 per cent of the vote, Mr Domingo Laino of the Authentic Liberal Radical Party (PLRA) with 32.8 per cent and Mr Guillermo Caballero Vargas of the pro-business Encuentro Nacional coalition with 25 per cent.

There are no indications so far that the 200 international observers, led by former US President Jimmy Carter, have witnessed large-scale fraud. Even with electoral irregularities, the victory margin is likely to be sufficient to sustain Mr Wasmosy's democratic legitimacy.

Mr Wasmosy – the name is Hungarian – is an engineer, cattle rancher and cotton farmer. A member of the Colorado party for 20 years, he made his fortune in part from sizeable contracts for the Paraguayan-Brazilian Itaipu Dam. One of his tasks as president will be to renegotiate the deal with Brazil on Itaipu, a Stroessner-sponsored project notorious for corruption.

Mr Wasmosy has the support of Gen Andres Rodriguez, who led the coup that ousted Gen Stroessner, and the upper echelons of the army. His democratic credentials have been marred by the way in which he achieved the presidential nomination in the Colorado primary elections in December.

His victory over the pro-Stroessner candidate Mr Luis Maria Argana was, according to the US National Democratic Institute for International Affairs, won by "questionable, if not outright fraudulent means".

However it almost certainly averted a coup by army leaders who assisted in toppling Gen Stroessner.

Mr Argana's campaign description of Mr Wasmosy as a closet liberal underlined the relatively small policy differences among the three presidential candidates.

Mr Wasmosy is expected to support market-oriented economic policies and increase the economy's outward orientation. Mr Wasmosy, who takes over in August, will not have things entirely his own way, however. The Colorados will be the largest party but will not have a majority in either house of congress, where the PLRA ran them a close second.


Wasmosy: will he keep the military at bay?

After nearly half a century of military rule, the institutions of the Colorado party, the army and the state are inextricably intertwined.

The military, however, may see the chief benefit of the victory of their candidate as security for their budget, which accounts for a fifth of government expenditure and is outside congressional or presidential oversight.

The Rodriguez government has already embarked on a policy of privatisation. British Aerospace, for example, is examining the possibility of acquiring Lapsa, the state airline which leases some of the UK company's aircraft.

The military, which manages most important state industries, could provide strong opposition to this policy.

However the army is increasingly subject to external constraints: senior officers are now regularly attacked in the press and the opening of secret police files has led to charges of human rights violations.

Whether these constraints will increase over the next five years or whether the military will maintain its hold on the state is the key question of Mr Wasmosy's term of office.

EC challenge over US fuel economy tax

By Nancy Dunne in Washington

THE EC is expected this week to call for a dispute settlement panel under the General Agreement on Tariffs and Trade to take up a complaint over US environmental laws which tax cars heavy on fuel.

According to Friends of the Earth, an international environmental organisation, the EC will initiate complaints against US corporate average fuel economy (Cafe) standards and the so-called "gas-guzzler" tax. The Europeans are concerned that environmental requirements will affect the export of certain classes of EC cars to the US.

In the US the fuel economy levels for corporate cars set an average fleet standard of 27.5 miles per gallon, and vehicles with a worse mileage are taxed. The "gas-guzzler" tax penalises other passenger cars that achieve less than 22.5mpg.

Should the US lose the case, it would be bound to raise as much of an outcry as the so-called "tuna-dolphin" decision, arising from the Marine Mammal Protection Act. Under the act the US banned Mexican tuna caught with drift nets, which also trap dolphins.

The EC is challenging the marine act as the US has imposed a secondary embargo on EC countries which may be trans-shipping "dolphin-unsafe tuna". Trade analysts worry that anti-environmental messages sent by Gatt could make it more difficult to get congressional approval of a completed Uruguay Round agreement.

EC objections to the fuel economy law, the "gas-guzzler" tax and a luxury car excise tax are listed in an EC report on US trade and investment barriers.

"Although the Cafe tax applies theoretically to virtually all car makers doing business in the US, in reality the only makers who have paid the penalty are the limited-line premium car makers," the report says. "The Cafe regulations are biased toward the full-line manufacturers [in other words, domestic manufacturers] that make both small, fuel-efficient and larger vehicles and limited-line manufacturers that produce mostly small vehicles [Japanese manufacturers].

"Thus, the only Cafe penalties paid thus far have been paid by European limited-line car makers. Full-line car makers, such as General Motors, have been able to meet the Cafe standards by averaging the fuel economy of small, fuel-efficient cars with large cars."

In a letter to Sir Leon Brittan, EC trade commissioner, Friends of the Earth challenged the "secrecy" surrounding the EC action as "unnecessary, undemocratic and unwise".

"The EC cannot claim to be concerned about the development of the trade and environment debate if it persists in attempting to define...whether or not the environmental laws of another country are simply disguised trade barriers".

The 'plain folks' Kantor risks alienating

A Midwest mayor complains about protectionist trade policies, writes Nancy Dunne

At 6ft 7in, the mayor of Milwaukee, Mr John Norquist, can pack a memorable punch, which he did rhetorically last week with some telling jabs at the US steel industry and protectionist politicians.

"Mickey Kantor [the US trade representative] says he doesn't believe in trade theology. Well, I've got 50 unemployed longshoreman who don't believe in trade theology either. They just want to work."

The mayor took up the case of the dockworkers as well as Milwaukee's Paper Machinery Corporation on a trip to Washington last week. The company, which had been successfully competing against French and German companies, has had to absorb a 10-20 per cent increase in steel prices since the US commerce department put temporary tariffs on steel imports.

The tariffs, a result of the dozens of dumping and countervailing duty cases brought by the steel industry against companies in 21 countries, could cost hundreds more jobs in Milwaukee and other port cities and at the factories which mould steel into products for export around the world.

Authorities at the Port of Toledo, which last year handled 50,000 tonnes of leaded steel from Europe, say the tariffs have thrown 45 dock workers off the job. The ports of New Orleans, Philadelphia, Long Beach, California, and Houston also report job losses.

According to the Milwaukee city government, the steel suits have cost the local economy about $2m in the first five months of the year; steel imports have plummeted by an estimated 78 per cent. The warehouses are almost totally empty.

Mayor Norquist is particularly irked at the "sheer 100 per cent unalloyed greed" of the steel companies, which he sees as too wimpish to compete. Years of protection have allowed them to pour billions of dollars into modernisation, but the money was gained on the backs of their customers, he says.

The mayor has no patience with charges of dumping. "If someone wants to set prices under their cost of production, say thank you," he says. "The high value products are those which use steel. If they do subsidise steel, that makes our other products more competitive."

President Bill Clinton aimed his presidential campaign at plain folks such as Mayor Norquist, a Democrat and former lathe operator; the two met briefly on the campaign trail. So Mayor Norquist decided to bring up the steel tariffs with the "populists" in the White House.

His message was dutifully received – by the aide of Mr Clinton's 33-year-old political assistant, Mr Rahm Emanuel.

The administration has stood visibly back from the "quasi-judicial process" under which the commerce department determines how much dumping and subsidies there have been and the International Trade Commission decides if the US industry has been injured by the alleged dumping and subsidies.

"It's a judicial process that was set up by a political process to turn normal competition into findings of illegal dumping," the mayor says, reaping scorn upon his fellow politicians. "It is convenient for them to sit back and say we didn't do it... It was this mechanistic formula when actually they're making a policy decision to prop up an industry that already has 85 per cent of the market."

Mayor Norquist has fixed upon Mr Kantor, who implements rather than originates Mr Clinton's trade policies, as the administration's bogeyman.

"Mickey Kantor doesn't know which products to penalise and which to subsidise. When he's trying to penalise Germany and Japan, he's hurting Milwaukee. He's decided to punish Milwaukee and punish Wisconsin to prop up this industry that doesn't want to compete in the marketplace. All they want to do is sit on their congressmen's laps."

Mr Kantor has no role in the dumping/countervailing duty regime, but he has defended it as necessary: "I would say the US process, both in terms of fair hearing and transparency, is probably as good or better than any process in the world."

While not directly involved in the countervailing duty suits, Mr Kantor is suppressing a planned study by the ITC that might reveal the harmful impact of "unfair trade laws", a project proposed by his Republican predecessor. He is also backing congressional opposition to proposals in the Uruguay Round of multilateral trade talks which could open US trade law to challenges by the General Agreement on Tariffs and Trade.

None of this means much to the people of Milwaukee who benefit little from federal government projects. They want the "change" Mr Clinton promised, the mayor says – an end to meaningless free market rhetoric. They want to get on with their business without government interference.

Norquist: "sheer 100 per cent unalloyed greed"

Japan to clarify bidding process

By Charles Leadbeater in Tokyo

JAPAN'S Construction Ministry yesterday issued proposals to clarify the bidding process for public contracts in an effort to head off US pressure for reform.

The proposals, made by an advisory committee, call for clearer and more specific criteria to assess construction groups bidding for public works contracts.

The process has faced mounting criticism following revelations that construction companies made illegal political donations to influence the outcome of bids. On April 30 the US warned Japan it would impose sanctions if alleged discrimination was not eliminated.

Under the Japanese system the Construction Ministry preselects a company as eligible to bid, rather than making an open invitation. Existing criteria are generally vague references to the bidder's ethics, employment record and financial strength.

The revised criteria will stress a contractor's record in comparable projects and its technology. The new system will be tested on about 30 medium-sized public works projects valued at between Y200m-Y500m (£1.2m-£2.8m) each.

The committee also called for a review of the Construction Ministry's methods for estimating the value of public works projects. The ministry has been criticised for overestimating the value of projects, thereby allowing construction companies to make excess profits which are in turn used for political donations.

Big telecom order for Ericsson

ERICSSON, the Swedish telecommunications group, said yesterday it had won a DM750m (£303m) order from Mannesmann Mobilfunk to supply equipment to the company's digital mobile telephone network in Germany, writes Hugh Carnegy in Stockholm.

The order is the biggest Ericsson, the world's leading supplier of digital mobile telephone equipment, has received for mobile systems.

Mannesmann's D2 network is one of two German digital systems linked to the evolving pan-European mobile telephone network known as GSM.

Ansaldo secures order from Taiwanese

By Haig Simonian in Milan

ANSALDO, the engineering arm of Italy's state-controlled Finmeccanica engineering group, has won a L250bn (£109m) order for two refuse treatment and electricity generating plants in Taiwan.

The order, for the group's Ansaldo Volund subsidiary, is for units in the cities of Chiay and Tainan. The new plants will be capable of handling 300 tonnes and 900 tonnes of urban refuse a day respectively.

The order was won in conjunction with a local partner, Chung Sing, part of the Taiwanese Kuang-Hwa group.

Ansaldo's Volund-Ecology division will be responsible for the combustion and energy recovery aspects of the plants, while Ansaldo Energia will supply electricity-generating steam turbines.

The group diversified into the waste treatment and environmental sectors after Italy's 1987 decision to block the development of nuclear power.

In April 1992, the group bought Volund, a Danish company specialising in incinerators, boilers and heat recovery systems, as part of its push into waste management.

● Belleli, the Italian specialist engineering group, has won orders worth L60bn for oil and petrochemicals plant from Statoil in Denmark and Shell in the US, along with Ssangyong Oil of South Korea

OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development (OECD) announced new minimum interest rates (%) for officially-supported export credits for May 15-Jun 14 (Apr 15-May 14 in brackets):

D-Mark	7.47	(7.35)
Ecu	8.07	(8.18)
French franc	8.24	(8.58)
Guilder up to 5 years	7.30	(7.30)
5-8.5 years	7.50	(7.55)
more than 8.5 years	8.00	(8.00)
Italian lira	12.44	(12.17)
Yen	4.90	(4.70)
Peseta	12.68	(12.58)
Sterling	7.90	(7.70)
Swiss franc	5.88	(5.93)
US dollar for credits of up to 5 years	5.30	(5.40)
5-8.5 years	6.13	(6.19)
for credits of over 8.5 years	6.59	(6.66)

These rates are published monthly by the Financial Times, normally around the middle of each month.

A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for longer than 120 days.

SDR-based rates of interest are the same for all currencies but must be used only for the OECD-defined poor countries.

For the period from Jan 15 through July 14, the SDR-based rate will be 7.55 per cent. It replaces the previous rate of 8.1 per cent. The SDR-based rate will again be subject to change on July 15.

One in 25 UK companies suffers default in Germany; one in 35 four years ago: in France one in 11 suffers non-payment

EC customers 'getting worse at paying bills'

Charles Batchelor sees EC payments falling behind while the picture in the UK is improving. The time taken to collect debts has fallen to 57 days from 62

BRITISH companies are finding it increasingly difficult to persuade continental European customers to pay their bills on time – or at all.

One in five UK companies suffered a loss as a result of non-payment by an EC customer in the year ended March compared with one in eight in the 12 months ended March 1989, according to a survey published yesterday by NCM, a credit insurance company.

Exporters in Britain must be cautious about seizing export opportunities in the EC because of the growing risk of default or late payment, NCM warned as a result of the survey.

The position in Germany has worsened markedly and even blue-chip companies in some sectors face severe difficulties in making payments, said Ms Conni Randall, NCM business strategy director.

News of the growing risk of doing business with other EC countries came one day after a study by Manchester Business School for National Westminster Bank, showed that UK companies had difficulties obtaining payment from domestic customers.

Customers in all the main EC countries were more likely to default on payment than previously, the NCM survey showed.

One in 11 companies supplying customers in France experienced non-payment compared with one in 14 four years earlier. One in 25 companies experienced a default in Germany compared with one in 35 previously.

Payments delayed significantly longer than was normal in individual industry sectors rose by 63 per cent to an all-time high of £90m in 1992/93 compared with £54m in the previous 12 months. Delayed payments from Germany rose by 136 per cent and from Italy by 115 per cent.

"The deterioration in payments behaviour is particularly marked in the European Community and not in other parts of the world where you might expect it," commented Ms Randall.

"We are concerned that just because people deal with traditionally safe companies in traditionally safe countries does not mean they will always be paid."

NCM said the slow and non-payment figures were based on its own customers, selected because they represented a good insurance risk, so the payments experience of exporters in general might be even worse.

**Quarterly Export Survey. NCM Credit Insurance, Crown Building, Cathays Park, Cardiff CF1 3PX. Free.*

● In contrast with the gloomy conclusions of the NCM and NatWest surveys, payment delays in the UK are declining, according to the latest quarterly review by the Association of British Factors & Discounters.

The average time taken by factors to collect debts on behalf of their clients dropped to 57 days at the end of March from 62 days at the beginning of the year, the first time it had fallen below 60 days for five years, the association said.

Association members, the largest 11 UK factoring companies, had advanced £1.4bn to clients at the end of March, 15 per cent more than a year earlier.

The turnover of companies using factors rose by 21 per cent to £4.6bn, the biggest year-on-year increase for more than six years.

UK admits EFA cost 'overrun'

By David White, Defence Correspondent

BRITAIN'S Ministry of Defence confirmed yesterday that the Eurofighter project to build a joint combat aircraft with Germany, Italy and Spain was over budget, saying there was a "slight overrun" on costs to the UK of just over £1bn.

As reported by the FT yesterday, the current total cost estimate for the 250 aircraft the UK plans to buy is £13bn, including Britain's share of development work.

The MoD said yesterday this had risen 10 per cent in strictly comparable terms since the project was launched, and described the increase as "not too bad" in view of the international nature of the venture.

It said its projection in 1987 was a total cost of £7.8bn for a reduced buy of 200 aircraft. At today's prices, taking the other 50 aircraft into account, the figure would be £11.9bn.

However, this contrasts with the government's declarations when it approved the development five years ago.

Mr George Younger, defence secretary at the time, told MPs in 1988: "I would expect [the total cost to the UK] to be of the order of £6bn to £7bn when it is completed." He added : "There is no change in the United Kingdom's declared production offtake, which remains 250 aircraft."

The latest figure is also substantially more than the MoD stated to the all-party defence committee last year. In a memorandum dated February 19, 1992, it put the UK's costs as £2.7bn for development and between £7bn and £8bn for production. It made clear that this was based on a "planning assumption" of 250 aircraft.

The £13bn total takes into account the results of a recent cost overhaul. Total costs of the programme have been obscured by accounting methods, but are expected to be about £32bn against the £21bn expected in 1988.

The Kent plant of Wellcome: one of the 65 manufacturers which help give the UK a major role in European pharmaceuticals

Britain launches high-profile bid to secure EC pharmaceuticals agency

By Alan Pike, Social Affairs Correspondent

THE UK government and pharmaceutical industry will today launch a high-profile bid to establish the European Medicines Evaluation Agency in London. Likely rivals are Spain, Denmark, the Netherlands, and the Irish Republic.

Potential gains from attracting the agency, which will control the safety of medicines in the EC and encourage innovation and technical co-operation between member states, extend beyond status and direct jobs.

Britain has one of the community's leading pharmaceutical industries and the presence of the agency would be likely to stimulate its further growth.

Mrs Virginia Bottomley, health secretary, will launch the campaign for London today with the active backing of Mr John Major, prime minister. He says in a note endorsing the bid that the case for siting the agency in London is a "powerful one."

A brochure setting out the UK case enlists the support of a variety of leading figures in pharmaceuticals and medicine including representatives of Zeneca, Hoechst UK, Glaxo, Wellcome Foundation, Astra Pharmaceuticals, London University and its medical schools.

Although it is possible that a decision on the agency's location may be made at the Copenhagen EC summit next month, it is more likely to come later in the year.

The British bid will emphasise that London's worldwide reputation as a medical research centre, with more than half the nation's expenditure on academic medical research going to the London medical schools, is complemented by a well-established pharmaceutical industry.

There are 65 pharmaceutical manufacturers in the UK, 89 per cent of them foreign-owned, employing 87,000 people. One fifth of these staff are employed in medical research and development.

Britain is Europe's largest investor in pharmaceutical research and development. Spending in 1991 was £1.2bn or 22 per cent of the EC total. Britain is second only to Germany as an EC exporter of pharmaceuticals to non-community countries. Exports from Britain account for around 16 per cent of the EC total.

Locating close to London and its neighbouring counties, where the UK pharmaceuticals industry is centred, would have the additional advantage of guaranteeing the agency an adequate supply of qualified and experienced staff, according to promoters of the British bid.

Beyond the issue of location the British bid will stress other advantages of housing the agency in London, many of them related to communications.

Evaluating new drugs requires the exchange of massive amounts of information. Supporters therefore argue that Britain's telecommunications system, allied to physical communications advantages like the capital's two amjor airports and the projected opening of the Channel Tunnel, make London the natural choice for the pharmaceuticals agency. Furthermore, they say, English is the internationally recognised language of medicines regulation.

The agency, which is due to begin work in 1995, will have an initial 300 staff with substantial information technology and archive back-up.

It is estimated that it will need 5,300 square metres of office space by the end of the century, although the promoters of the British bid do not have a particular location in mind.

British Airways faces summer of unrest with staff

By Robert Taylor

BRITISH AIRWAYS faces a damaging summer of industrial disruption on three fronts begining with a possible shutdown of its UK operations by its ground staff over the Spring Holiday weekend. (May 29-31)

The 18,000 ground staff and clerical workers are being balloted by the Transport and General Workers union to support strike action against contracting out and the creation of subsidiary companies with inferior terms and conditions of employment.

That ballot result will be known on May 27, the eve of the holiday weekend. The TGWU made it clear yesterday that if it achieved an expected Yes vote it would seek to ground BA's operations over the holiday period.

Yesterday voting also began among the company's 3,000 pilots on whether to strike over alleged threats to their pay and employment conditions. Their union – the British Airline Pilots Association – is warning that BA pilots could ground the company's entire fleet for the first time in fourteen years. The result of the union strike ballot will be known on June 4.

To add to BA's troubles its cabin staff at Gatwick has already voted to take disruptive action. Further 24 hour stoppages are expected in protest at what the cabin staff believe is a threat to reduce their terms and conditions of employment.

All three conflicts at BA share a common theme: the widespread belief among staff that the company intends to drive down costs at their expense.

The point at issue over the BA pilot's dispute concerns the future of BA's short-haul flights from London's Gatwick airport after last November's BA take-over of Dan-Air, an airline whose pay rates and conditions of employment were markedly inferior to BA's.

But the unions fear the troubles at Gatwick have a much wider significance for BA staff: that the high pay and generous benefits could be undermined through the introduction of new agreements.

Earlier this year BA established a new subsidiary company at Gatwick for the former Dan-Air staff known as European Operations Gatwick. (EOG) BA then decided from May 1 to move three of its existing short-haul European routes from Gatwick to Frankfurt, Copenhagen and Malaga to the new company.

The 94 BA pilots and cabin crew affected by this move have been offered alternative work, either on long haul routes from Gatwick or moving to London's Heathrow airport on BA's short haul routes from there. Cabin crew have been offered severance pay.

Mr Jock Lowe, BA's director of flight operations said yesterday that there was no question of any worker being forced to accept lower terms and conditions of employment.

BALPA said that it is prepared to work with BA on reducing its costs.

"We are prepared for BA pilot's work to be transferred to the new subsidiary company at Gatwick and negotiate a realistic cost base for its operations there just as long as none of our members are forced to accept inferior pay and conditions of employment", said a spokesman. He added that the union was opposed to any new separate agreement at Gatwick and he would not negotiate with BA on such an assumption.

Mr Lowe said he was confident the pilots would be "sensible" and not back their union's strike call. BA pointed out that last year it lost as much as £35m on its Gatwick short haul service. On top of that BA inherited a £48m financial liability as a result of its takeover of Dan Air in November.

Nadir position appears to weaken

By John Murray Brown in Kyrenia

THE POSITION of Mr Asil Nadir, the fugitive Tukish-Cypriot businessman, appeared to be weakening yesterday, after Britain stepped up its diplomatic pressure on northern Cyprus, and Mr Nadir's privately owned bank announced that it was closing it's headquarters - the first indication of serious trouble in his financial empire on the island.

In the strongest warning to northern Cyprus that the British government has issued so far, Mr Tristam Garel-Jones, minister of state for foreign affairs, warned it had not ruled out use of sanctions and that north Cyprus's interests could be badly damaged if it failed to return Mr Nadir to England.

He added that if Mr Nadir travelled to Turkey then Turkey's reputation could suffer similarly.

Mr Rauf Denktash, the Turkish Cypriot leader, yesterday said that he had no intention of returning Mr Nadir to Britain. However, he urged the British authorities to prosecute Mr Nadir in northern Cyprus.

And in the first indication that Mr Nadir's troubles are affecting his private businesses on the island, Kibris Endustrii Bankasi, Mr Nadir's privately-owned bank in Northern Cyprus, is planning to close its Nicosia head quarters,

The suggestion that Mr Nadir be prosecuted in northern Cyprus is possible because according to a provision in the criminal law of northern Cyprus, a citizen can be tried and convicted in the local courts for a crime committed outside the territory.

The UK's Serious Fraud Office SFO has hitherto refrained from such action because the territory is not formally recognised by the UK.

Meanwhile, BDO Binder Hamlyn, the accountancy firm, last night clarified the work it had conducted on behalf of Mr Nadir in northern Cyprus.

Mr Nadir said on Friday that the firm had shown that monies allegedly stolen by him were accounted for in the books of Unipac, the packaging company based in the country.

Mr Adrian Burn, BDO's managing partner in London, stressed that his firm had been commissioned by Mr Nadir's former solicitors in 1991 to conduct a limited review which reconciled bank statements with book entries for certain very specific transactions.

"We were not asked, and did not form an opinion on the whole picture," he said. "The transactions were consistent with the bank statements and cash entries."

A capital lesson in road pricing

Richard Tomkins joins a top ministerial fact-finding visit to Oslo

MR John MacGregor, transport secretary, yesterday came face to face with some of the political realities of introducing a system of charging for the use of London's roads.

On a fact-finding visit to one of the world's few road pricing schemes in the Norwegian capital of Oslo, he learned that shoppers, the young and the low-paid were some of the hardest hit by the charges.

When the system was introduced in 1990, there were attempts to blow up the toll booths. It has remained unpopular, with the number opposed to the scheme little lower now than the initial 60 per cent.

However, the proceeds from the tolls had succeeded in financing the construction of new roads in the city, mostly in tunnels, which had helped ease city centre congestion.

Mr MacGregor is visiting Scandinavia to see what lessons can be learned for his own plans to introduce road charging to Britain, initially on trunk roads and motorways and later in urban areas.

He intends to set out his plans for motorway charges in a consultation paper in the next four to six weeks. Proposals on urban road charging would follow publication of a report in late 1994.

The Oslo urban road charging system was introduced in February 1990 with cross-party support to help finance a NK12bn programme of public transport improvements.

The city is now ringed with 19 toll plazas where drivers pay an entry fee, either manually or electronically through a debiting system similar to the one operating on London's Dartford Crossing.

The entry fee is NK11 (£1) for vehicles up to 3.5 tonnes and double that figure for lorries, with discounts available for season tickets or multiple-entry tickets. Motorcycles, buses, cars driven by the handicapped, emergency vehicles and funeral processions are exempt.

When vehicles go through the electronic debiting lanes without a payment being deducted their registration numbers are photographed.

Mr MacGregor was told that the violation rate was only 0.1 per cent, but some drivers went to elaborate lengths to avoid being charged - for example, covering their number plates with mud, or driving on the tail of the vehicle in front so that the camera could not get a clear view.

Officials estimate that total car journeys into the capital have dropped 5 per cent. A high proportion of better-off workers had got help with the cost of season tickets from their employers. Those who had stopped making journeys were mainly the less-well off and among off-peak users such as shoppers. The charges had also failed to produce any detectable increase in the use of public transport.

Mr MacGregor said a road pricing system for London was "still some way away". But charging for motorways was a separate issue, he said. Britain had a very substantial road-building programme and ways had to be found of financing it if it was not to stretch for a very long period ahead.

Britain in brief

Sweeping probe into EBRD urged

The committee looking into allegations of overspending at the European Bank of Reconstruction and Development has proposed a sweeping inquiry which will look at most aspects of the bank's spending policies, including "special flight arrangements".

The committee has recommended that four international firms of auditors be asked to tender for the role of adviser. The bank's own external auditors, Deloitte Touche and Tohmatsu will not be among them.

The terms of referance drawn up at a meeting of the EBRD's board of directors yesterday are rigorous and include what the document describes as an "arms length" relationship with the bank's management during the inquiry given the sensitivity of its work. This, says the document, requires " strict adherence to confidentiality and independence."

Mr Claes de Neergaard, Chairman of the Audit Committee, has proposed that, in addition to external auditors, outside quantity surveyors and architects should be appointed "to ensure the appearance of absolute independence and objectivity".

Credit up to £232m

The British consumer has regained an appetite for buying goods on credit, adding to signs of growing consumer confidence and encouraging hopes that the UK economic recovery can be sustained.

Net lending to consumers increased to a seasonally adjusted £232m in March from £54m in February, the highest since April 1991, according to Central Statistical Office figures released yesterday.

The March figure was also more than twice City expectations that consumer borrowing would rise by a net £90m.

The CSO monthly net lending figures cover consumer borrowings from finance houses, other specialist credit companies, building societies and on bank credit cards under the Visa and Mastercard.

The amount of new credit advanced to consumers by these lenders was £4.73bn in March, the highest monthly figure since such statistics were first published in 1987. The new credit figure compared with February's total of £4.42bn and the £3.98bn of new consumer credit granted in March last year.

Customs find illegal trade

Customs and Excise officers uncovered 230 cases of illegal trade in tobacco and drinks by cross-Channel shoppers during the first three months of the year. Eleven people have been charged with offences and prosecution of a further 113 is under consideration.

Since January 1, travellers have been able to bring unlimited supplies of drink and tobacco from continental Europe into the UK for personal consumption. However, trading in the goods, without paying exise rates, is illegal.

Customs and Excise said that the 230 cases involved evasion of about £324,000 in duty, of which £249,000 was accounted for by 2,500 kilos of tobacco for cigarettes.

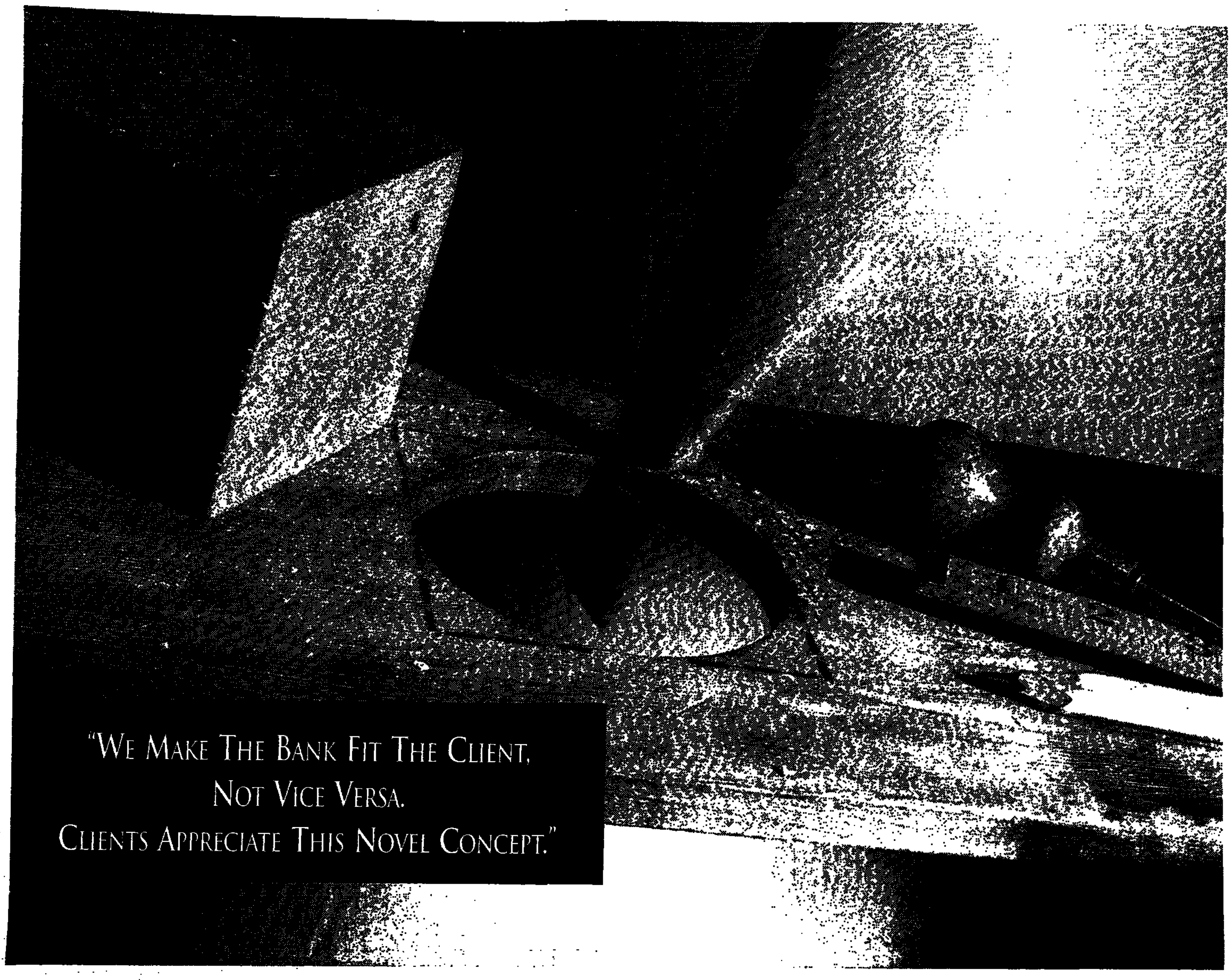
Meghraj fails to buy Equatorial

Meghraj Bank, the private banking arm of Meghraj Group, has failed to reach an agreement to buy the assets of Equatorial Bank, the bank with 3,000 Asian small business customers that was put into administration in March.

Meghraj said yesterday that it had not been possible to establish a basis for offering to acquire the share or assets of Equatorial. It had offered Equatorial's administrators assistance in winding down its loan book instead.

Mr Anant Shan, Meghraj chairman, said the bank had offered its assistance to the adminstrators to help them achieve the maximum payments to Equatorial's depositors. The bank hoped its offer would prove "practical and helpful".

Mr Gareth Hughes, joint adminstrator for Equatorial Bank, said the administrators would consider the Meghraj proposal "alongside other alternatives".



Each client's needs are different, and the solutions to problems have very close tolerances. The art of banking is to know your client and to be able to fine-tune your structures to the precise fit that's required.

Making the bank fit the client is part of building relationships that work to maximum effect, that last, that are mutually valuable.

That's what we do at Chemical. We know how to structure the right solution the first time, in a spirit of teamwork. Because we can do this repeatedly across a wide range of needs, our clients can have the kind of multi-faceted relationship they prefer.

Our broad-based approach produces results. For example, Chemical has global leadership positions in loan syndications, trading, treasury, corporate finance, capital markets and—through Geoserve®—operating services. And at a time when others have retreated from international arenas, Chemical has a global network across 35 countries.

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MANAGEMENT: THE GROWING BUSINESS

—In a— Nutshell

Quick lesson in letter etiquette

Less then 2 per cent of UK businesses are investing in foreign language training for their staff, according to a survey carried out by Royal Mail International.

A brief introduction to etiquette, letter writing and business practices in Europe, Japan and the Middle East plus a French language cassette for the traveller are provided in a Royal Mail guide for businesses dealing with overseas contacts.

Do You Speak Their Language? starter pack. Royal Mail International. Freepost, 482 Dunstable Road, Luton, Bedfordshire, LU4 8DL. Free.

Taking advice to the bank

A new support organisation for both business and personal customers of the banks has been established. The Independent Banking Advisory Service (IBAS) will provide members with free advice on simple problems and a referral service on to professional advisers, who will charge their normal fees, on more complicated issues.

IBAS is a breakaway organisation from the Bank Action Group (BAG), which was established just under a year ago, but it plans to concentrate on providing advice rather than high-profile lobbying campaigns.

Membership of IBAS costs £45 plus VAT for businesses and £25 including VAT for individuals. IBAS says its strength is that it will be able to concentrate on banking issues, unlike other small business organisations with a broader remit.

At present though IBAS's organisation is embryonic – it is still building up a network of professional advisers – and prospective members should compare the range and cost of its services with those provided by existing small business organisations.

Cutting red tape

Charles Batchelor continues a series on red tape with a look at difficulties experienced by a slaughterhouse

One man's beef

COLIN Kinmond says his small slaughterhouse business could take on two extra staff if he were not obliged by new European Community-inspired legislation to employ a vet. Alongside a full-time meat inspector who keeps an eye on the quality of the cut meat, since January 1 Kinmond has also been required to pay for a vet to come in twice daily to look at the live animals before slaughter. The meat inspector, employed under long-established legislation, costs £30,000 a year while the vet costs another £1,500 a month, Kinmond calculates.

"The vet has stopped us having an apprentice and a slaughterman and takes a lot of money out of our profits," comments Kinmond, a director of Bishop's Castle Meat, a Shropshire company with 14 employees and turnover of £4.5m.

The requirement to employ a vet as well as a meat inspector came in as part of the EC's Fresh Meat Directive. This was translated into UK legislation in the form of the Fresh Meat (Hygiene and Inspection) Regulations 1992.

This legislation extended to smaller slaughterhouses – serving local or national markets – the rules which had applied for many years to larger slaughterhouses involved in exporting meat products.

Many small firms and the recently established Quality Meat and Livestock Alliance blame these new regulations on the closure of about 200 slaughterhouses over the past two years. The Ministry of Agriculture counters that only seven slaughterhouses have been closed for hygiene reasons and says the rest, spurred by over-capacity in the industry, have shut down for commercial reasons.

Bishop's Castle Meat has been able to bear the cost of the new regulations but Kinmond is critical of the new legislative regime. "The red tape is ridiculous," he says. "We are not exporting. The meat inspector has been doing his job for the 14 years we have been in business and our meat has never killed anyone."

Kinmond's complaint is that the vets who now inspect the animals make no contribution to increased hygiene. All the animals come in from auctions where they have been inspected, while the vets have only a brief training which does not equip them to spot problems.

But the requirement for veterinary inspection is only part of the new regulations. Slaughterhouses are also faced with a range of structural alterations to bring their drainage systems, work surfaces and loading bays up to scratch.

Very small slaughterhouses processing fewer than 20 units a week (a unit is one cow, three pigs or seven sheep) escape the new structural regulations but a swathe of medium-sized companies which were previously exempt have had to come to terms with the tough new requirements.

Bishop's Castle Meat has spent about £200,000 on alterations (though some went on a new boning room the company wanted) including stainless steel surfaces and equipment and larger pens to hold the animals awaiting slaughter. This last requirement leads to large numbers of animals being brought together in the same space and increases the stress they suffer, critics of the regulations claim.

The strictness of the new legislation is a classic case of UK civil servants "improving" the initial EC legislation, comments Richard North, secretary of the Quality Meat and Livestock Alliance. National legislation tightened up on the EC directive; Ministry of Agriculture guidelines tightened up on the legislation; and individual vets interpret the guidelines very strictly, he says.

The directive calls for the slaughterhouse to have a clearly defined boundary which has been translated into a requirement to have a wall or a fence. One slaughterhouse owner had to build a wall costing £8,000 which cut off direct access from his house, says North.

As part of its opposition to the new rules the alliance is urging its members not to pay vets' fees. Kinmond has just received a summons for failing to pay. Ultimately, says North, the alliance is prepared to take its fight to the European Court of Justice.

● The Ministry of Agriculture said British representatives in Brussels had argued successfully against some member states which had wanted a more far-reaching directive. The legislation had to strike a balance between public confidence in meat hygiene and not making the rules too onerous, a spokesman said.

Colin Kinmond says the new legislation is hitting Bishop's Castle Meat's profits

■ *The Growing Business Page will* highlight over the next few months businesses entrapped by red tape. It will award a bottle of Laurent-Perrier pink champagne to each one featured.

The owner-managers of independent businesses are invited to describe their experiences – on no more than two sides of A4 please. *Letters should be addressed to:*

Charles Batchelor, Growing Business Correspondent, Financial Times, Number One Southwark Bridge, London SE1 9HL

Lack of finance feared

A shortage of expansion finance threatens to prevent businesses from taking full advantage of the European single market. This emerges from a survey* of more than 4,700 companies in all 12 European Community countries carried out by accountants Grant Thornton.

Many companies in Europe have badly eroded balance sheets; face problems in persuading customers to pay up on time; and have difficulty in raising long-term debt and equity at affordable rates, according to the survey to be published today in Brussels.

"European companies will be shackled in achieving the benefits of the single market because the banks have got into difficulties," said Patrick Brooke, partner in charge of the firm's single market unit. The survey, one of the most extensive of its kind in recent years, covered businesses, most of them privately owned, with turnover of between Ecu1m-Ecu100m (£833,000-£83.3m) and between 10 and 700 employees. These account for more than 90 per cent of all businesses in the Community.

The cost of finance emerged as the most common short-term constraint on growth, mentioned by 40 per cent of companies questioned, while a lack of working capital was mentioned by 21 per cent.

Customers have become more reluctant to settle their bills promptly, putting further pressure on company cash flows. Sixty one per cent said it had taken longer to collect their money over the previous year. A quarter of companies waited 90 days or longer to be paid, with slow payment most prevalent in Portugal, Italy and Spain.

Chasing up slow-payers by letter was the most common response but no fewer than 33 per cent had taken legal proceedings. UK companies were most likely to have taken this route with half initiating legal action.

Despite problems in raising finance, businesses were moderately optimistic about their prospects. On balance – that is those saying better, minus those saying worse – nearly a quarter expect to increase their turnover in the coming year and nearly 20 per cent plan to increase exports. But they also expect profits to remain flat in the year ahead and job numbers will be cut.

Greece, Ireland, the Netherlands and Denmark were the most optimistic overall, while France, Germany and the UK were most pessimistic about output, jobs and profitability. Germany was less optimistic about exports than most other countries.

The most expansion-minded companies – those considering making acquisitions, diversifying and entering new markets – were in France, Spain and Greece. Two thirds of French companies had produced market development plans.

Significant increases in spending on training and research and development are expected but there will be only a modest rise in investment in plant and equipment. On balance 22 per cent of companies planned to increase spending on training while 15 per cent planned more R&D. The UK came the bottom of the league table in both areas, however.

Despite government efforts to promote the single market recently, very few companies were aware of EC programmes. Only one in five companies knew of one or more of the main schemes and only 3 per cent of firms had used one of the programmes though Greece, with a 20 per cent uptake of programmes, was an enthusiastic exception to the EC norm.

CB

**European Business Survey, Ricky Lawrence, Grant Thornton House, Melton Street, London NW1 2EP. Tel: 071 383 5100. £95/Ecu125. Summary and country summaries. Free.*

Stronger US-UK links

Corporate links between London and New York are not limited to the multinationals.

Next month sees the launch of a partnership between Wandsworth Enterprise Agency and the National Minority Business Council, based in New York.

The aim of the venture is to provide small UK businesses run by members of the ethnic minorities with help and advice in establishing international trading links.

Similarly, the 500-or-so members of the NMBC, most of whom are based in New York, New Jersey or Connecticut, will gain access to British expertise.

Small businesses often lack the resources to establish overseas links but the joint venture between Wandsworth and NMBC will provide help with training and organising trade missions, said Alex Amponsah, chief executive of the enterprise agency. It may also open trading links with home countries of recent immigrants.

The NMBC, a non-profit organisation, was established more than 20 years ago and is funded mainly from membership fees, currently $275 (£179) a year, although it does receive public- and private-sector donations and grants.

Its members – who include Afro-Caribbeans, Latin Americans, Asians and Eskimos – are provided with a broad range of business advice.

John Robinson, president of the NMBC, hopes that the London link will lead eventually to an umbrella organisation for all UK small businesses run by ethnic minorities, on an equal footing with chambers of commerce. He already has plans for further expansion, seeking ties with similar organisations in Asia and the Pacific Rim.

The NMBC has strong ties with the Caribbean and has an affiliation in Nigeria.

Jeremy Bennallack-Hart

**National Minority Business Council, 235 East 42nd Street, New York 10017. Tel. 212 573 2385. Wandsworth Enterprise Agency, Woburn House, 4th floor, 155-159 Falcon Road, London SW11 2PD. Tel. 071 924 2811.*

BUSINESSES FOR SALE

Villiers Hotel and Restaurant
Buckingham

The Joint Administrative Receivers, Peter Copp and Tony Supperstone of Stoy Hayward, offer for sale the above Hotel as a going concern.

Property features:
- 35 en suite letting bedrooms
- Recent extensive enlargement and refurbishment
- Freehold (small part leasehold)
- Popular bar and 55 seat restaurant
- Car park for 37 cars
- Conference facilities and shop units need fitting out only
- Current turnover approximately £10,000 per week

ROBERT BARRY & Co
CHARTERED SURVEYORS

Interested parties should contact the Receivers' sole agents Messrs Robert Barry & Co of 7 Upper Grosvenor Street, Mayfair, London, W12 9PA. Tel: 071-491 3026 Fax: 071-629 9373.

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Accountants and Business Advisers A member of Horwath International
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FS 22657 The London office of Stoy Hayward is registered to BS 5750 Part I
8 Baker Street, London W1M 1DA. Tel: 071-486 5888. Fax: 071-935 3944.

Shrigley Hall Hotel Golf and Country Club
Pott Shrigley, Near Macclesfield, Cheshire

Peter Copp and Geoffrey Kinlan, the Joint Administrative Receivers of Shrigley Park Limited offer for sale the business and assets of a hotel golf and country club with a wide range of facilities created around a Grade II and II* listed building set in some 180 acres within 9 miles of Manchester International Airport with access to the M63, M56 and M6 Motorways.

- 158 letting bedrooms
- Restaurant for 160 diners
- 2 bars
- 6 Conference/Function Suites for 30-350 people
- Leisure Club with an extensive range of facilities
- 18 hole par 71 golf course
- Golf practice areas
- Fishing lake
- 2 all weather tennis courts
- Additional planning consents available for further developments
- Turnover £3,839,628 for the year ended 30 September 1992 per the unaudited management accounts

Knight Frank & Rutley
INTERNATIONAL
071-629 8171

Interested parties should contact A. F. H. Bell or D. M. Gammage of the Receivers' sole agents, Messrs Knight Frank & Rutley, 20 Hanover Square, London, W1R 0AH on tel: 071-629 8171, fax: 071-493 4114.

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Nursing Homes for Sale

Peter Copp and Nigel Edmondson, the Joint Receivers and Managers of Associated Homes Group offer the following 5 Freehold Nursing Homes for sale either as a group or a combination of 2 or more or as individual units.

MERSEYBANK NURSING HOME HADFIELD, DERBYSHIRE
- Recently extended Nursing Home
- Registered for 80 elderly and chronically medically ill
- 8 month's fee income to 4 April 1993 of £564,789
- Average fee £284 per week
- Offers in excess of £1,200,000

PARKHILL NURSING HOME STALYBRIDGE, CHESHIRE
- Recently extended Nursing Home
- Registered for 48 elderly and chronically medically ill
- 8 month's fee income to 4 April 1993 of £486,284
- Average fee £291 per week
- Offers in excess of £750,000

DALE PARK NURSING HOME SOUTHPORT, MERSEYSIDE
- Purpose built Nursing Home
- Registered for 60 EMI
- 8 month's fee income to 4 April 1993 of £646,058
- Average fee £303 per week
- Offers in excess of £1,550,000

DELPH PARK NURSING HOME WARRINGTON, CHESHIRE
- Nursing Home set in 5.5 acres
- Specialised registration for 148 EMI with physical handicaps/terminally ill
- 8 month's fee income to 4 April 1993 of £1,203,009
- Average fee £282 per week
- Offers in excess of £2,500,000

KINGS PARK NURSING HOME ASHTON-UNDER-LYNE, LANCS
- Purpose built Nursing Home
- Registered for 44 EMI
- 8 month's fee income to 4 April 1993 of £460,399
- Average fee £295 per week
- Offers in excess of £1,200,000

CHRISTIE & Co

Interested parties should contact Ann Mitchell – Leeds (tel: 0532 459 667), Thalia Turner – Manchester (tel: 061 833 3311) or Charles Harrison-Pinder – London (tel: 071 486 4231) of the Receivers' sole agents, Messrs Christie & Co.

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Futura Footwear Group

The Joint Administrative Receivers WS Martin and D Bailey offer for sale the business and assets of the Futura Footwear Group on a going concern basis
- *Long established quality manufacturer of slippers and canvas footwear*
- *Turnover in excess of £3m per annum*
- *Good current blue chip order book*
- *Fully equipped vulcanising and injection moulding plant*
- *In house design & development facilities*
- *Skilled and flexible work force*
- *Operating from freehold premises in Stalybridge, Ashton-under-Lyne*

For further details please contact Bruce McEwen or either of the Joint Administrative Receivers, Ernst & Young, Lowry House, 17 Marble Street, Manchester M2 3AW. Telephone: 061-953 9000 Facsimile: 061-834 7117.

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2. Department Stores in Czech Republic.
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The Joint Administrative Receivers, R. A. Powdrill and A. R. Houghton, offer for sale as going concerns the business and assets of two modern, purpose built freehold hotels.

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- 76 en suite bedrooms.
- Bar, restaurant and conference facilities.
- Close A1(M), M25 and M1 Motorways.
- T/O year to September 1992 of £1,088,000.

Watermead Hotel, Aylesbury
- 40 en suite bedrooms.
- Lounge bar and meeting room.
- 'Hotel Garni' service.
- T/O year to September 1992 of £382,000.

For further details please contact the sole agents at the address below.

Deloitte Touche Tohmatsu International

Robert Barry & Co., 7 Upper Grosvenor Street, Mayfair, London W1X 9PA. Tel: 071 491 3026. Fax: 071 629 9373.
Touche Ross & Co. is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

ROBERT BARRY

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- Highly skilled workforce

For further information contact the Joint Administrative Receivers –
J H Priestley and B S Creber,

POPPLETON & APPLEBY

93 Queen Street, Sheffield S1 1WF
Tel: 0742 755033 Fax: 0742 768556

On the Instructions of Joint Administrative Receivers of Mermaid Hotel (Rye) Ltd and Hotels of the Cinque Ports Ltd

FRENCH'S INN Hastings, Sussex
Close town centre, main bar, dining/function room, 4 letting beds, manager's 3 bed flat. T/O for 11 months to Jan.'93 £170,714 exc. VAT.
Offers invited, leasehold.
Ref. 4/5649

THE GEORGE INN Alfriston, Sussex
14th Century Inn/Restaurant. Restaurant (30+), main bar, 8 letting beds, manager's flat. T/O for 11 months to Jan.'93 £268,348 exc. VAT.
Offers invited, leasehold.
Ref. 4/5650

MERMAID INN Rye, Sussex
15th Century commercial/tourist Inn. Close town centre, 28 letting beds, bars/lounges, restaurants, boardroom, car park. T/O for 11 months to Jan.'93 £690,566 exc. VAT.
Offers in excess of £1,000,000 freehold.
Ref. 4/5653

CINQUE PORTS HOTEL Hastings
Purpose built in 1988. 40 en suite letting beds, lounge bar, restaurant, reception lounge, library, 3 function rooms. T/O for 11 months to Jan.'93 £421,256 exc. VAT. Leasehold—121 years remaining.
£400,000 Leasehold.
Ref. 4/5651

ABBOTS BARTON HOTEL Canterbury
Extended 19th Century hotel in approx. 2 acres. 41 letting beds, 2 syndicate rooms, 5 staff beds, 2 bars, lounge, restaurant, function room. T/O for 11 months to Jan.'93 £317,901.
£425,000 freehold.
Ref. 4/5652

For further information please contact: Simon Hughes
071 486 4231

CHRISTIE & Co

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Interested parties can make, as an expression of their interest, any non binding proposal independently of its legal form, which will realise the aim of privatisation.

The relevant document must reach the liquidators at the latest by 17th June 1993.

After the proposals have been considered by the liquidators, confidentiality documents will be signed and the interested parties will receive information for the preparation of binding offers.

Proposals to be addressed to:

HELLENIC FERROALLOYS S.A. (H.F.A. S.A.)
Kifisias Avenue 18, 151 25 MAROUSI, GREECE
Attn: Messrs Liquidators

FAX: 01/6843527 TEL: 01/6843520 - 6843429 TLX: 210601

Marousi, 23.4.1993, The Liquidators

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- *20 titles in production*
- *Best sellers – Children's World Atlas – 10 language editions*
  - *Children's Animal Atlas – 15 language editions*
  - *Combined 1000,000 copies already sold*
- *Over 50 international publishing clients*
- *Operates from premises in Oxford*

For further information, please contact Alan Lovett at Ernst & Young, Apex Plaza, Reading RG1 1YE. Tel: 0734 500611. Fax: 0734 507744.

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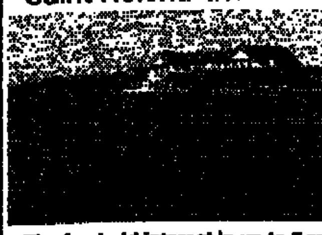
DURRANTS
Saint Helena Golf Club - Halesworth Suffolk



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PEOPLE

■ Sir Terence Heiser, previously permanent secretary at the Department of the Environment, has picked up another non-executive position, this time at stockbrokers Smith New Court. John Gunn, former chief executive of British & Commonwealth Holdings, stepped down in January after six years on the board.

Hardly in the mould of the traditional Whitehall mandarin, Sir Terence, who was raised on a council estate and left school at 16, has been much in demand since retiring last June. He is also on the board of Abbey National, J Sainsbury and Wessex Water.

SNC's chief executive Michael Marks, who is presumably something of a meritocrat himself having joined Smith at 17 in 1959, says he and his fellow directors were "hugely impressed with [Heiser's] wider business perspective". They would also value his "general guidance on person-

nel issues" - rather than anything as strictly "commercial" as helping the corporate finance department win more privatisation mandates.

Meanwhile, Sir Terence, who has not so far found it necessary to join a London club, will perhaps find the atmosphere at SNC, which has never quite shaken off its barrow-boy image, rather more exciting than at some of its stuffier rivals.

At the same time SNC announced four executive additions to the board: Marc Edwards, 44, in charge of Smith New Court Carl Marks' equity activity in the US; John Evernden, 46, director of UK sales trading; Philip Jolowicz, legal director of Smith New Court Securities; and Richard Margolis, managing director, corporate finance of Smith New Court Far East in Hong Kong.

Sir Peter Imbert tails Kroll

Sir Peter Imbert, who retired as commissioner of the Metropolitan Police earlier this year, has picked up his second new assignment, as a consultant to Intergrated Security Systems. He is also a non-executive director of Securicor.

ISS, founded by ex SAS officer John Wick nine years ago, advises governments and companies on a variety of security issues from crisis management to the design of large integrated security systems.

It has just three executive directors with eight retained associates and a handful of consultants. Eighteen months ago the management bought itself out from Lloyd's managing agents P.W. Kininmonth.

Wick says Imbert will be spending one or two days a

week at ISS in the first six months. One of his first tasks will be to advise on how to expand the corporate investigation side.

"It irritates me immensely sitting as an Englishman in the middle of the City that most investment banks think of Kroll Associates [which is American] and not us", Wick fumes from his office in Lovat Lane.

Sir Peter feels strongly about the need for ISS's type of work. "Companies and other organisations are just not well enough prepared to handle the kinds of crises they face today - anything form armed robbery through kidnapping to terrorist activities...Put bluntly, companies will either survive or be defeated according to their readiness to deal with such events."

Financial moves

■ David Bilbé has been appointed md of Geoserve, part of CHEMICAL BANK.

■ Aidan Paul and Geoff Zeidler have been appointed directors of ROBERT FLEMING.

■ Russell Graft and Andrew Peskin have become partners at TOWNSLEY & Co.

■ John Lee, international personnel manager for ICI, is to be general manager, group personnel at HALIFAX BUILDING SOCIETY.

■ Keith Ashworth-Lord, a former director and head of research at Henry Cooke, Lumsden, has been appointed deputy executive director and chief analyst at DAIWA Institute of Research (Europe).

■ Alan Mackay, UK corporate development director, personal financial services, and Nick West, communications consulting director, have been appointed to the board of NOBLE LOWNDES.

■ Alex Ingham Clark has been appointed institutional marketing director of GUINNESS FLIGHT; he moves from Morgan Grenfell Asset Management.

■ Mick Brewis has been appointed a partner of BAILLIE GIFFORD.

■ Gerald Waterworth has joined the executive of SCARBOROUGH BUILDING SOCIETY with responsibility for finance; he moves from Norwich & Peterborough Building Society.

■ Keith Higley, (right) formerly director of Lloyds Bank Commercial Service

North Region and already a non-executive director of INTERNATIONAL FACTORS, has been appointed its md.

■ Adrian Bell has been appointed vice chairman of HAMBROS BANK. Edward Baglin, Mark Benstead, Philip Cassen, Susan Cross, Paul Duffy, David Farrow, Mikiko Fujiwara, Eric Harvey, George Lassados, Guido Lombardo, Karen Mason, Paul Mulvey, Alan Noakes, Richard Olliver, Paul Reynolds, Peter Scharf, James Stewart, Edmund Truell, Tomas Turner, Graham Turner, Mark Warren and Guy Wynter are appointed directors.

■ Stewart Coghill, James Dawnay and Eric McAuslan have been appointed to the board of MARTIN CURRIE Ltd; Grant Wilson has been appointed to the board of Martin Currie Investment Management.

Down from Oxford, again

Colin Leach, who made himself highly unpopular in the City with the ARIEL project, is poking his head above the parapet again after 14 years at Oxford.

Between 1972-1978, Leach masterminded the automated share dealing system designed as a way for institutional investors to circumvent high minimum commissions. Highly controversial at the time, Leach recalls "not being on speakers" with Sir Nicholas Goodison, the then chairman of the stock exchange, and generally "never so unpopular in my life". So he retreated to Oxford, where he had been as an undergraduate, as fellow and bursar of Pembroke, and classics tutor at University College.

Now obviously deeming it safe to return, he becomes a consultant to Matheson Securities, the agency private client stockbroking arm of Jardine Matheson's UK financial services subsidiary. His brother Rodney is a director of Hong Kong Land, a Jardine Matheson-controlled company.

And of the timing of his return, just as the stock exchange is in deep trouble with the failure of its paperless share settlement system Taurus and with its whole structure indeed open to debate? Leach, who was also working on a paperless system 20 years ago says: "I haven't written a word to the papers about Taurus. I leave it to those younger, fitter and more foolish".

TECHNOLOGY

Philips is seeking to go one step beyond simply coming up with new products, writes **Ronald van de Krol**

The challenge of creativity

R & D

THERE can be no doubt that Philips, the Dutch electronics group, is a winner when it comes to inventing successful new products. The music cassette, the video-cassette recorder and the compact disc – to name just three of the company's best-known inventions – were all born in Philips' laboratories in Eindhoven, forming the basis of what was, until recently, a profitable business in consumer electronics.

Now, as the company struggles to shake off losses in precisely this field, Philips is seeking to go one step beyond simply coming up with bright new products. The 102-year-old company is searching for ways to identify, evaluate, develop and launch entirely new businesses, ones which will unlock a stream of new revenue and keep Philips ahead of the pack, allowing it to benefit from the profitable early years of a new product's life cycle.

The challenge, in short, is to foster a "business creation" mentality in the labs – and elsewhere in the company – as both a prelude and a component of the decisive "product creation" stage.

At the same time, Philips needs to overcome mistakes of the past, when its research and marketing people were practically strangers to each other, a situation that sometimes prevented the smooth translation of laboratory successes into corporate profits.

The man throwing down the challenge is Frank Carrubba, a 55-year-old American with a long background at Hewlett-Packard and IBM, whose appointment in late 1991 was a mini-revolution for Philips, which had prided itself on advancing its home-grown technological talent.

Carrubba, an executive vice-president who is responsible for industrial policy, intellectual property and purchasing, as well as for technology, says "business creation" at Philips will begin in earnest on June 1, when the group management committee forms a new sub-committee, the Technology and New Business Assessment Committee. It is here that potential new businesses will be reviewed at the most senior level in the company. Action may be taken on some of them by the autumn, he says.

"The businesses that have been identified [at the pre-screening stage] have come to a large extent from the younger employees in the engineering and research community," he says, declining to give any details. "They've had a whole series of ideas stored up inside them waiting for the company to settle down long enough to listen to them."

Despite limited resources, Philips has been pouring money into the manufacture of liquid crystal display panels at Eindhoven

Researchers whose ideas move beyond the pre-screening stage will be allowed to make their pitch to the group's senior executives. "They have to be this excited entrepreneur trying to sell to a venture capitalist," Carrubba says.

The "Silicon Valley" analogy is no accident. The appointment of a foreigner, such as Carrubba, to the top research and development post at Philips is part of the company's attempt since late 1990 to shake up its lethargic corporate culture.

When he arrived from California in 1991, Carrubba found an R&D apparatus that had grown complacent after decades of riding the wave of the post-war economic boom. "Most companies, and ours was not different, saw challenge and change as frightening things, something you worried about when you saw it happening," he says.

Because of its past successes, Philips had allowed some of its products and businesses to reach maturity before starting to cast around for replacements. One of Carrubba's main goals in business and product creation is to seize upon new ideas more quickly and shorten the time from lab to marketplace. Another is to break down divisional barriers and promote "technological transfer" within the company.

So far, Carrubba believes Philips has made good progress, but more needs to be done. Better communication between divisions, for example, remains essential.

His new focus on business creation is the last phase of a wider effort to enhance product creation. This latest challenge comes, however, at a time when the company's research and development people are still recovering from the turmoil that has enveloped Philips so far in the 1990s.

'Most companies, and ours was not different, saw challenge and change as frightening things'

Since 1989, the year before Philips slid into deep losses, the number of people who work in R&D has been slashed by more than 30 per cent to 28,017 from 40,752. R&D spending is also down sharply, from Fl 4.6bn (£1.7bn) in 1989 to Fl 3.7bn in 1992, a decline of 20 per cent.

Less easily quantifiable is the effect on researchers of Philips' decision that it can no longer afford to be in the forefront of developing every type of technology. Nor can it continue to develop and build in-house every significant component that it needs for its products.

Both changes were symbolised dramatically by the decision in 1990 by the company's new president, Jan Timmer, to pull out of pilot production of one-megabit static random access memory chips, a field that had meant much prestige, but no profits for Philips.

Rather than trying to do everything itself, Philips was signalling it was prepared to make difficult decisions about when to buy in expertise and when to go it alone.

Though more open to considering outside suppliers than before, Philips has committed itself to maintaining its R&D command of core components, technologies and competences, Carrubba says.

These are, in turn, closely linked to a list of 15 key "president's projects". The complete list has never been made public, but it is known to include Philips' three new efforts in consumer electronics (high-definition television, compact disc-interactive and digital compact cassette) as well as high-resolution monitors, cellular radio and active matrix liquid crystal displays.

In spite of more limited resources, Philips has clearly been pouring money into LCDs, an increasingly important product module in portable television sets and lap-top computers, so that the company will not have to rely on supplies from its competitors in the Far East.

Carrubba says the difference between these components and sub-micron memory chips is that the latter have become "off-the-shelf items that are available at market prices on the open market and in volume".

Philips also intends to remain the master of its own destiny in all facets of signal processing, such as the manipulation, compression and enhancement of images and sound.

"If we're going to be in businesses like audio, video, compact disc-interactive or interactive media, without having that technology we would be hung out to dry. Because anyone out there that owns those technologies would be direct competitors, most likely, and they would be able to manipulate our future. So we can't let that happen," he says.

One example of a core competence is miniaturisation, an element which Philips believes will be of growing importance to a wide range of products and projects in future. If miniaturisation is central to Philips' business prospects, then so are related technologies, such as the visualisation skills needed to perform sub-miniature board assembly.

Miniaturisation is also a good case in point of how Carrubba is setting about trying to break down divisional barriers and shorten the lead time for the manufacture of new products.

The focal centre of miniaturisation work is now a prototype assembly line which, until recently, was standing idle within the consumer electronics division in Eindhoven. Researchers from corporate research, as well as technical and manufacturing people from Philips' product divisions, now come to the miniaturisation centre for training, where the prototype facilities allow real hands-on work to take place.

For some divisions, miniaturisation may not yet be on the horizon, but in the meantime the goal is to "infiltrate" people with miniaturisation technology experience into research and manufacturing throughout the company.

"When manufacturing gearing-up begins, there will be 'champions' of that technology in that business," Carrubba explains.

Plotting a model economy

Peter Marsh on new software which can be applied worldwide

An Australian computer programmer turned economist has devised a set of software which he claims can be used to simulate virtually any of the world's leading economies.

Warwick McKibbin, who studies economics at the Brookings Institution, a Washington-based think-tank, has sold his software to government institutes in several countries including the US, Australia, Canada and South Korea.

His computer codes have been used by Japan's Economic Planning Agency to work out the possible path of Japanese growth and by the US Congressional Budget Office, the economics arm of Congress, to calculate how export and import volumes will be affected by the proposed North American Free Trade Agreement.

At the heart of the program is a computer code representing about 600 mathematical relationships linking economic indicators in the main regions of the world, including Japan, western Europe, North America, the Middle East and the former Soviet Union. McKibbin – who left school at 16 to work as a programmer and later gained an economics doctorate at Harvard University – can then add to this code up to 1,000 or so other equations representing the economic features of the particular country he wants to model.

In this way he can "customise" his model, which runs on a cheap desk-top computer, to suit the specific characteristics of individual nations.

The equations in McKibbin's model cover factors such as wage costs, unemployment, prices of physical assets such as houses and the amount of money being channelled through capital markets.

By linking these factors according to the ways they influence each other in reality, the computer code provides a rough replication of how a specific development – an increase in interest rates affects other factors such as longer jobless queues.

McKibbin, aged 36, who worked for 16 years at the Australian central bank and had a spell on secondment to the Japanese government, claims his model is easier to use than other similar sets of computer code linking up economic variables.

He says also it has done a "good job" in simulating economic conditions in specific countries, and for instance was successful two years ago in predicting the budget deficits and build-up of inflation in Germany arising from unification.

Computerised models are a well-known tool used by many economists to simulate conditions in specific countries and so help in forecasting and analysis of trends such as inflation or budget deficits.

However, they are normally specially designed to describe conditions in a particular country and can only occasionally be adapted in the manner of McKibbin's model.

With his wife, McKibbin has formed a company, McKibbin Software Group, to sell his programs.

A basic model customised to simulate the economy of a particular country costs about $15,000 (£10,000), with McKibbin charging extra for special services including updates of the software.

He is looking to build on the company's current annual sales of about $150,000, and one possible client in the future could be the UK Treasury with which the Australian economist has had tentative discussions.

The Treasury already has its own purpose-built model of the UK economy which is supervised by an in-house team of 30 economists.

However, the UK government department – which has been severely criticised in recent years for misjudging the path of the domestic economy – is increasingly trying to link up with outside economists to see if it can improve its techniques of economic analysis.

Use of "rival" models which work in a different way from the Treasury's model might be one way to build up an alternative picture of what is happening in the economy.

BUSINESS AND THE LAW

Equal pensions ruling clarified

EUROPEAN COURT

At the end of April the European Court delivered its preliminary opinion in four cases brought before it seeking clarification of equal pension rights following the court's *Barber* judgment of 17 May 1990.

Advocate General Walter Van Gerven, delivering the opinion, said the equal treatment principle may not be relied upon to claim entitlement to an occupational pension acquired in connection with periods of employment served prior to 17 May 1990, except in the case of employees or those claiming under them who have before then initiated legal proceedings or claimed under applicable national law.

According to Mr Van Gerven, contracted-out and supplementary occupational pension schemes are characterised by their "accruing" nature – an employee accrues pension entitlement on the basis of his or her periods of employment. There is a distinction, therefore, between the creation of pension rights on the basis of completed periods of service – at least for fixed-benefit schemes as in the *Coloroll* case – or completed payments of contributions, for fixed-contribution schemes, and the exercise of such accrued pension rights when the pension first falls due for payment.

This interpretation largely coincides with that adopted in the "Protocol on Article 119 of the Treaty establishing the European Community" annexed to the Maastricht Treaty.

Mr Van Gerven also answered a number of further questions:

● **Which forms of occupational pension are subject to Barber?**

Barber applies not only to contracted-out occupational schemes but also to all other forms, including supplementary pensions.

● **Are sex-based actuarial calculation factors compatible with equal treatment?**

Use of such factors constitutes, at least in so far as it results in different contributions and benefits for men and women, unequal treatment on the ground of sex prohibited by the Rome Treaty. Like *Barber*, the temporal effects must be limited to after the judgment date.

● **Who may rely on equality principles applied to pensions?**

Employees and surviving spouses, including those entitled to certain kinds of widower's pension, may do so, subject to appropriate temporal limits.

It is immaterial whether an occupational pension scheme is funded exclusively by employer's contributions or also by compulsory or voluntary employee contributions. However, where only employees of one sex are members of an occupational pension scheme, they will have no such right, provided the employees within the company or division concerned are all of that sex.

● **May equality principles be relied upon against trustees?**

Employees or those entitled under them may do so.

Trustees of occupational pension schemes are obliged by Community law to do everything within their powers, even if that involves overriding legislation, contracts or trust deeds, to ensure equal pension benefits. National courts responsible for supervising trusts must comply with Community law principles requiring effective and equivalent remedies.

However, questions relating to the liability of a pension scheme and that of the employer in the context of equal treatment infringements, particularly where the funds of one party (like in *Coloroll*) are insufficient, can be dealt with only at national level. National rules on liability must be no less favourable than those which would apply to similar national claims and be effective.

● **May future pension schemes reduce available benefits in the interests of equality?**

For past infringements, the only remedy is to increase the benefits to the level of the advantaged sex. For future service, Community law allows employers to reduce pension benefits provided they are the same for men and women.

Cases C-109, 110, 152 and 200/91, Ten Oever, Moroni, Neath, Coloroll Pension Trustees Ltd, Advocate General Van Gerven. Opinion, 28 April 1993.

BRICK COURT CHAMBERS, BRUSSELS.

Robert Rice on a legal tool that may give a boost to Europe's film industry

Star of the silver screen

As the film industry gathers in Cannes next week to see movies and be seen, European film makers will reflect on yet another year spent in the shadow of Hollywood.

In spite of the critical success of such films as Howards End and The Crying Game the commercial success achieved by US studios continues to elude the European industry. Mass-market films with international appeal, which the Americans are so successful at making, remain a scarce commodity in Europe.

Many of the plans hatched in Cannes last year for European productions with international appeal will have foundered on the difficulties of getting bilateral or multinational co-productions off the ground. This year, however, as they sit down with renewed enthusiasm to make plans which they hope will revitalise the European film industry, producers will have with them a new business tool – the so-called Model Co-production Terms. These were drawn up by Denton International, a group of law firms from the UK, Germany, Holland and Denmark, but were the idea of Eurimages, the pan-European support fund of the Council of Europe for the co-production and distribution of European feature films and documentaries.

The model terms aim to offer contractual solutions to the key issues – such as ownership of rights, editorial controls, distribution patterns and risks of insolvency – which co-producers face under Europe's various legal systems, and to make it easier for European co-producers to apply for Eurimages funding or for benefits under the European Co-Production Convention.

Launched three weeks ago, the model terms have already received an enthusiastic welcome from some European producers.

"Co-productions are definitely the way forward," says Mr Nick Hobdell of Screen Finance magazine. "The ability to access European subsidies is tremendously important. Big budget films are too expensive for individual production companies to fund on their own."

The success of the model terms will depend to a great extent on how far European industry as a whole is in agreement with that view. A 1991 study of the competitive positions of the European and US film industries produced by London Economics for the Media Business School found the strategic options for the European film industry were not obvious.

Should it strive to find the means to challenge for a bigger share of the mass-market box office by aiming to make and sell films across the Continent, with continued expansion of European co-production? Or should it accept that European film makers would on the whole do better to leave the production of big budget feature films to the Americans and concentrate on national success with each country's industry aiming to sell film in its local market?

European front: Vanessa Redgrave and Emma Thompson at Cannes

Current policy is directed towards encouraging European film makers to challenge for a bigger share of the mass market by making and selling films across the Continent. The policy is easy to justify in terms of commercial goals. The American film markets, including video rentals and sales, were worth nearly \$17bn (£11bn) in 1992, and the European markets more than \$8bn. These markets are dominated by US producers. A larger share of the overall market for European producers and distributors would greatly enhance European film-making resources.

Promoting the European industry would also result in benefits for consumers, giving them greater choice in the face of a US monopoly. Per capita admissions to the cinema in Europe are half those in the US. Europeans only go to the cinema on average 1.8 times a year while Americans go on average 4.6 times. Arguably this is a reflection of the way American themes and popular culture dominate mass-market feature films. If Europe provided the context, theme and backdrop of more of the world's films, perhaps Europeans would go to the cinema in greater numbers.

The problem of how to put European policy into practice remains, however. Mr Adrian Barr-Smith, a partner with solicitors Denton Hall Burgin & Warrens, the UK arm of Denton International, believes it has been the lack of guidelines for avoiding the traps and tricks of co-production which has been holding European producers back.

One of the pre-conditions for applying for Eurimages funding (it has offered co-production support in the form of refundable loans since 1988) is a signed agreement between the co-producers. Similarly, an agreement is required for producers to get access to the benefits available to national films through the Co-Production Convention which should come into force later this year once it has been ratified by five European countries.

This represents something of a Catch 22 situation. Co-producers cannot apply for European funding until they have a co-production agreement and few of them have enough experience of co-productions to know how to go about drawing one up. The model terms should address that problem, says Mr Barr-Smith, by providing a common starting point for reaching bilateral and multilateral co-production agreements.

"The terms stop short of being a model agreement," says Ms Angela Jackson, one of the Denton lawyers responsible for drafting the model. "It's more of a menu or list from which they can choose the elements they want, a legal 'how-to'."

Contracts are frequently signed late in the film business, she explains. Producers like to hedge their bets, but they start hiring and setting up shooting arrangements often without an agreement. The industry is founded on trust, but then problems arise which producers find difficult to raise while projects are in their formative stages. The terms will allow such issues to be settled early on, rather than waiting for things to break down.

Denton stresses the importance of co-producers concluding agreements in writing. A common problem in European co-productions is that meetings and phone calls take place in different countries; letters and faxes are sent, and letters of intent and deal memos signed. But later, when problems arise, it is difficult to say with any certainty whether a binding written or unwritten contract was made under the laws of any particular country.

Mr Barr-Smith is keen to emphasise that even if no contract is signed there is still a risk under the various legal systems of Europe that a binding oral agreement has been concluded. And even if no contract, written or oral, has been concluded there may still be a risk under some legal systems – under German and Dutch law, for example – that legal consequences flow from the mere breakdown of negotiations.

Ms Jackson and Mr Barr-Smith believe the model is a business first. If it works, it could provide the basis for multinational co-operation agreements in other sectors of industry, they say. In pharmaceuticals, for example, it might be possible to draw up a similar model for multinational development of drugs. But whatever the model's application in other industries, European cineastes will be hoping the film industry gives it a favourable review.

LEGAL BRIEFS

Clearer picture for creditors

FOLLOWING a decision by Lord Mackay, the Lord Chancellor, the Registry of County Court Judgments has begun to register administration orders. Administration orders, like judgments, will remain on the register for six years.

Mr Malcolm Hurlston, chairman of Registry Trust which runs the register for the Lord Chancellor's department, said the most frequent users of the register were creditors seeking information on loans applicants who were already in debt. The addition of *administration orders* to the register would improve the quality of information available to lenders, Mr Hurlston said. The trust expects to register about 11,000 orders a year compared with 2m judgments. No orders dated before April 1993 will be registered.

Trainees press case for loans

THE Trainee Solicitors Group has approached UK clearing banks and building societies in its search for an institution prepared to operate a centralised loan scheme for prospective trainees.

Graduates hoping to qualify as solicitors in England and Wales must take the new legal practice course. Fees for the nine-month course total £5,000, almost double the cost of the old Law Society finals course. Students also need about £3,500 for living expenses.

Grants for the course are discretionary and presently only 38 per cent of local authorities provide some form of assistance. The burden of funding has thus shifted to the prospective trainee. This has raised fears that unless a loan scheme can be secured the profession will only be open to those with private means. Trainees will demand mandatory grants for the course and the introduction of soft loans at a mass lobby of parliament next Monday.

An early pastoral etching, 1930, by Graham Sutherland at the Fine Art Society

An artist ripe for reassessment

William Packer admires the work of Graham Sutherland

Some forty years ago, Graham Sutherland stood higher in reputation than any of his contemporaries, higher even than his friend and associate, Francis Bacon who, though no less radical, was still comparatively obscure. Sutherland in the mid 1950s was Britain's pre-eminent and, after the Churchill portrait, most controversial modern painter. By the time of his death in 1980, at the age of 76, all that had long since changed. Indeed it changed with a remarkable suddenness. One minute he was the cynosure of all attention: I well remember in the early 1960s the excitement at the publication of the latest monograph; the next, he was old hat, *passé*, a figure not merely established but of the establishment, honoured, secure, predictable and safe.

Two late decades of indifferent portraiture hardly helped his cause, but then he is hardly the first artist so to suffer a decline. His reputation languishes still and clearly he is ripe, even overdue, for reassessment. The problem is that his career seemed to fall into three sharply distinctive phases, and it has long been the received wisdom that his reputation, such as it is, stands on the work of his middle period, from the late 1930s when he turned to painting, to the early 1960s and the completion of the Coventry tapestry commission.

Such a view is not altogether wrong. His work in the immediate post-war period, when he had moved on from the earlier romantic landscapes to the more intense and psychologically ambiguous imagery derived from natural forms, is perhaps the strongest of all. That was the time of his closest association with Bacon, their working relationship one of true equality and mutual respect, each directly influencing the other.

But it is, for all that, too simple a view. In particular, it disregards the significance to his development of the first period, when he was entirely taken up with etching. Again the received wisdom has it that here was a young artist limited both to and by his craft, who had at last to break free of it to realise his true creative potential as an artist. It is all too pat, too easy, and it is the great virtue of this small but quite disproportionately important show of these early etchings, at The Fine Art Society, to give the lie to it.

Sutherland was a student at London's Goldsmiths' College in the early 1920s, where etching became his particular study. This was the time of the so-called etching boom, when the market in prints was remarkably strong, and naturally attractive to any ambitious young artist. Again the general supposition has been that he was merely a follower, yet another fashionable neo-Palmerian, filtering the romantic intensity of the young Samuel Palmer of a century before through the work of such Edwardian topographical illustrators as Frederick Griggs. In fact Sutherland was much more his own man, looking not only to the example of Palmer but also more variously to other masters, notably Rembrandt and Whistler, and refining a remarkable technique in the process.

The etching market collapsed with the crash of 1929, but Sutherland did not abandon the print for other means of income and expression. Rather, it freed him to look about him, into himself, and to experiment and develop. It was to be a slow process, marked by periods of teaching, and by the falling-off of his practise in etching in favour first of lithography and then of watercolour. But already, in the *Pastoral* and *Garden* prints of the early 1930s we can see the marked shift in his interest towards a more immediately contemporary manner, and to the particular example, at once surreal, romantic and organic, of Paul Nash. It is by this thread that we are led on first to the more familiar Welsh landscape watercolours of the late 1930s, and so to the oil paintings of his maturity in the 1940s. Sutherland may have been a slow developer, but the young artist was a considerable artist, even so. The work, early and late, is all of a piece.

The only disappointment is that this fascinating show should have so short a run, but it does at least overlap with that of the later prints at Marlborough Graphics, to establish the connection between the younger and the older man. By it we may follow the evolution of the imagery, through the such things as the *Thorn Cross* of the mid 1950s to the bestiaries of the 1960s and '70s, with their bees and fleas, tortoises and birds. But the technical aspects are the more interesting – for, with the larger scale and the evident practical intervention of technical assistants, the intimacy and intensity of the early work quite falls away. That old integrity of image, object and practice has gone, and we are left with the image more or less alone.

Also at the Fine Art Society is a true curiosity, a retrospective exhibition of the work of John Downton, three years Sutherland's junior, who died in 1991. It is a first showing of the work for Downton was reclusive and, a few works in the Royal Academy in the late 1930s apart, he kept his work to himself. He was a painter of the head and the half-length, much influenced by Florentine painting and working in tempera, the most desiccated and painstaking of media. Yet he is redolent of his particular period between the Wars, as it might be a minor Frampton, Brockhurst or Cowie, the image isolated, psychologically ambiguous and remote. He is not a major discovery but a discovery nonetheless, well worth the making. Who knows how many more such there are, "born to blush unseen".

Graham Sutherland: Early Etchings; presented by Gordon Cooke at The Fine Art Society, 148 New Bond Street W1, until May 14. Graham Sutherland as Printmaker 1950-1979: Marlborough Graphics, 6 Albemarle Street W1, until June 12. John Downton: Fine Art Society, until May 28

Opera in Amsterdam/**Richard Fairman**

Le nozze di Figaro

Since the advent of period instruments Mozart's comic operas have become ever more sprightly on stage. The authentic brigade has literally set the pace with faster speeds, a quicker sense of humour, a twinkle in the eye, which has made even conductors who work with conventional orchestras hurry along to keep in the running.

At least, that is usually the case. Nikolaus Harnoncourt was himself once in the vanguard of the authentic movement, but more recently he has taken his standard and headed off in a direction all of his own. For the new production of *Le nozze di Figaro* at the Muziektheater in Amsterdam he has neither period instruments, nor the theatre's usual orchestra, but the Royal Concertgebouw Orchestra in the pit – a real luxury, as the lovely wind playing in the introduction to the second act showed.

Unfortunately, he squanders the glory of this situation fairly completely. Harnoncourt seems to have set out in this production with the express intention of wanting to prove a point. There is a theory that speeds in Mozart have become exaggerated over the years, the fast getting faster, the slow getting slower, and Harnoncourt is determined to do the opposite, no matter how perverse the results may be. At the very apex of its tension and excitement, where the second act finale should set the pulse racing, the music slumped into an enervated, low-blood-pressure jog-trot.

It may seem impossible, but for the first two acts Harnoncourt and his producer, Jürgen Flimm, actually managed to make this ever-fresh masterpiece of comic opera boring. If the musical numbers were lifeless, the recitatives were positively deathly – long gaps between every sentence, meaningful looks, pregnant silences. The second act opened with a scene in which the characters sat around on the Countess's giant white bed with long faces, sighing deeply, stretching their limbs, the very picture of a bored household lazing around with nothing to do all day. Whatever happened to Beaumarchais's "folle journée"?

If the remainder of the evening was better, it was no thanks to the production. Although he may have been inhibited by the pacing of the drama which was emanating from the pit, Flimm himself showed little inclination to get any comic sparkle into the action. The Act 3 sextet when Figaro learns the identity of his mother and father (Mozart's own favourite comic moment) was drawn out at tedious length. One would not want to be around when this producer was telling a joke.

The saving grace of the latter half of the evening was the greater prominence of arias in the opera's structure. Here the singers were able to dictate their own terms with some success. Olaf Bär's Count, in good voice, burst into violent anger in his Act 3 aria. Charlotte Margiono's previously unaffecting Countess found new depths in hers. Alastair Miles, asked to portray Figaro as a dolt and unflatteringly costumed, suddenly came to life late in the day with his trenchant final act solo scene.

With Iris Vermillion adding a nicely touching Cherubino, this was potentially a fine cast. Best of all was the delightful Susanna of Isabel Rey, who worked hard from curtain up to curtain down (a long evening) to inject some spontaneity into the performance. When she was singing "Deh vieni", stretching out limpid soprano lines over the orchestra's tenderly phrased accompaniment, the magic of Mozart's opera momentarily worked afresh. At the end I checked the programme. Yes, it did say that we had just seen a "commedia per musica". Somebody should tell the conductor and the production team.

Further performances until May 29

Iris Vermillion and Isabel Rey

Opera/**Alastair Macaulay**

The Barber of Seville

Why is it that *The Barber of Seville*, with its strong plot, brilliant music and several hit numbers, seldom delights in the theatre? The problem lies in the plot, which almost completely lacks pathos, and which therefore requires a robust comic sense that is surprisingly rare. The characters may be *commedia dell'arte* archetypes, but they must be vivid, individual, excitable, spontaneous, Mediterranean. And Seville itself – or a slice of it – must become real.

In English National Opera's staging, however, all the cartoon detail in Tanya McCallin's sets announces "Not for real" to us. Jonathan Miller's 1987 staging tells the story as if it were a creaky period curio. And the way that, in John Abulafia's current revival, extraneous comic business has been inserted to jolly things along can be held up as an object-lesson on how *not* to stage comedy. Who could believe that the street in the first scene is a real street? And why, since this long scene shows us little but Count Almaviva and Figaro, does the production do nothing to flesh them out as winning, three-dimensional characters and endear them to us?

Well, there is always the music to keep us going, and the current revival is of a decent if undistinguished order. A virus kept Della Jones – whose singing of Rossini's mezzo-soprano roles has been one of ENO's house tressures for 15 years – from returning to the role of Rosina on Saturday. The Australian mezzo Fiona Janes, who replaced her, was making her London debut. She has a warm voice, and is a competent stage performer. But, like Michael Lewis's Figaro, her Rosina is just a bright-eyed stereotype; and, by strictest standards, both her and Lewis's coloratura is approximate.

The Barber can be wonderful comedy even when imperfectly voiced. But it needs brio. Mark Shanahan, conducting, came nearer to supplying this from the pit than anyone onstage, though there is more elegance and more fizz to this score than he disclosed. Peter Bronder is not really a Count Almaviva – with his Billy Bunter face, he is most at ease in the surefire disguise scenes – but his energetic involvement in the situation is welcome. And there is an unusual blend of virility and refinement to his singing that did more to realise the potential of Rossini's score than anyone else onstage.

Arwel Huw Morgan's voice is well placed to give the right "speaking" emphasis to Bartolo's music – the nearer to speech Rossini's recitatives become, the better – but something seems to hold him back from taking charge of the character or the household. Richard Angas sang Don Basilio in big but wretchedly throaty tones: a voice with less meat than gristle. Many in the audience took more pleasure in the jokes and the singing than I could; no wonder, since Rossini's score is so irresistible. This is, however, in no way a *Barber* lit up from within.

In repertory at English National Opera until May 27

Brighton Festival/**Ronald Crichton**

Bournemouth Symphony

The musical part of Brighton's as ever well-stocked annual feast opened on Friday evening with the first of two concerts by the Bournemouth Symphony Orchestra, on the verge of their centenary season. The occasion brought the professional debut in this country of the 12-year old violinist David Garrett, playing Mendelssohn's concerto with such poise and spontaneity that (apart from the light tone, inevitable from such a small frame and in any case of fine quality), one could judge it as an adult performance.

What is more, and this meant as a compliment, one could safely concentrate on the music. The concerto is no longer over-played, and when one hears it done as here musically as well as with technical assurance brilliance, it is a delight.

The main work was Mahler's Fifth Symphony. Now the BSO under their principal conductor Andrew Litton, discreet and attentive accompanists in the Mendelssohn, could let fly. This was a reading remarkable for combining "speaking" intimacy with controlled aggressiveness. We were not spared the snarls, the grotesqueries, the Bacon-like shrieks that may be hysterical collapses or merely grimaces. Thanks to the admirably secure horn section, the moments in the Ländler movement when mountain vistas open up were fully eloquent. The playing was so vital and immediate that for once I felt that the dreary Dome was not such a bad concert hall after all.

The second BSO concert on Sunday brought a Festival commission in the form of a Symphonic Mass by George Lloyd, duly receiving its world premiere with the Brighton Festival Chorus. The composer, a sprightly elf with a mop of silver hair, one month short of his 80th birthday, conducted himself. "Symphonic" he says, because the Mass is not intended for the liturgy but also, surely because the choral writing is straightforward, with much use of unison, the orchestral material is usually developed (Lloyd is a prolific writer of symphonies), sometimes beyond the necessary length. The purely orchestral Offertorium on the other hand is surprisingly short.

Cries of anguish are heard, for example at the opening and again in the closing Agnus Dei. Cheerful banality, however, breaks insistently through with something resembling memories of wartime dance-band rhythms – short phrases and metrical patterns much repeated. The scoring is bright, noisy and professional, not unlike Eric Coates. There is a Russian-style chant which would be more effective if used more sparingly.

Lloyd as conductor evidently enjoying himself hugely, appeared to make little effort to keep the orchestra down. Huddled on an inner stage hung with tone-devouring drapes, the choral sound was muffled and moreover riven by obstreperous percussion. The large audience loved it none the less.

In the first half Lloyd lavished his enthusiasm on Elgar's orchestration of Bach's organ Fantasia and Fugue in C minor. It was a pleasure to hear such a vigorous reminder of the explosive effect this transcription had in the twenties at a time when in England the discovery of Bach by the wider public was still in progress and was being taken, by the organ world especially, with oppressive solemnity.

In spite of masterly playing by John Lill, Rachmaninov's Paganini Rhapsody suffered from the open lid of the enormous concert grand deadening the woodwind. Since the interweaving of piano and orchestra was one of Rachmaninov's wizard skills, this was a pity.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Muziektheater Tonight, Thurs, Sat: Finnish National Ballet in Carolyn Carlson's Maa Crossing the Great Waters. Tomorrow, Fri, next Mon : Nikolaus Harnoncourt conducts Jürgen Flimm's new production of Le nozze di Figaro, with Olaf Bär, Charlotte Margiono, Alastair Miles and Isabelle Rey (625 5455)
Concertgebouw Tonight, Fri, Sun afternoon, next Mon: Graeme Jenkins conducts Netherlands Philharmonic Orchestra in works by Dvorak, Tchaikovsky and Elgar, with piano soloist Rian de Waal. Tomorrow: Teresa Berganza song recital. Sat afternoon: Hans Vonk conducts Cologne Radio Symphony Orchestra and Chorus in Kagel, Stravinsky and Schumann. Sun evening: Murray Perahia piano recital
Beurs van Berlage Sat: Netherlands Chamber Choir in works by Goehr, Tallis and Birtwistle (627 0466)

■ ANTWERP

ANTWERP 93
A final performance of Red Rubber, Dirk D'Haese's new opera about Belgian colonialism, can be seen tonight at deSingel. The dance programme at Berchem Cultural Centre includes an evening with former Jan Fabre dancer Maria Voortman (tomorrow and Sat), the Jonathan Burrows Group (Thurs) and the José Besprosvany Company (Fri). Robert Lepage presents an evening of music and drama at Monty on Fri. John Aldiss conducts choral works by Goehr, Schütz and Birtwistle on Sun at Generale Bank. Jan Fabre's opera-ballet Silent Screams, Difficult Dreams can be seen at Flanders Opera on Sun and next Tues (226 9300)

OTHER EVENTS
Tonight and Fri at Koningin Elisabethzaal: Imre Pallo conducts concert performance of Attila, with Evgeny Nesterenko, Maria Guleghina and Richard Margison (233 6885). Tomorrow at deSingel: Philippe Herreweghe conducts Collegium Vocale in choral works by Bach (248 3800)

■ BRUSSELS

Monnaie Tonight, Thurs, Sat: Marcello Viotti conducts Simon Suarez's new production of Anna Bolena, with Nelly Miricioiu and Martine Dupuy (219 6341)
Palais des Beaux Arts Thurs: Philippe Herreweghe conducts Collegium Vocale in Bach. Fri: Yakov Kreizberg conducts Royal Flanders Philharmonic Orchestra in Haydn, Strauss and Bartok. Sun afternoon: Ronald Zollman conducts Belgian National Orchestra in Tchaikovsky's First Piano Concerto (Jean-Claude Eynden) and Manfred Symphony (507 8200)
Théâtre National Lady Will, one-woman show about Shakespeare's women characters. Daily till Sat (217 0303)

■ CHICAGO

Orchestra Hall Thurs, Fri, Sat, next Tues: Daniel Barenboim conducts Chicago Symphony Orchestra in world premiere of York Höller's Aura. The programme also features Itzhak Perlman as soloist in Mendelssohn's Violin Concerto on Thurs and Fri, and Prokofiev's Second Violin Concerto on Sat and next Tues (435 6666)

■ GENEVA

THEATRE
Benno Besson directs Coline Serreau's modern philosophical fable Quisaitout et Grobêta, opening tonight at Comédie. Till May 29 (320 5001). Tonight also sees premiere at Théâtre de Carouge of a new production of Marivaux's The Game of Love and Chance, directed by Georges Wod. Till June 6 (343 4343)
MUSIC
Edo de Waart conducts Suisse Romande Orchestra tonight at Victoria Hall in works by Rakhmaninov and Beethoven, with piano soloist Jo Alfidi (311 2511). Raymond Leppard brings the Indianapolis Symphony Orchestra to Lausanne tomorrow and Geneva on Thurs (Grand Passage 310 6611). Edo de Waart conducts Stein Winge's new production of Boris Godunov at Grand Théâtre tomorrow, Fri and next Mon (also May 19, 22, 24), with cast led by Samuel Ramey and John Tomlinson (311 2311)

■ VIENNA

CONCERTS
Musikverein The main event this week is the return of Carlos Kleiber to conduct the Vienna Philharmonic Orchestra on Sat afternoon and Sun morning. On Sat and Sun evening, the Berlin Philharmonic presents two programmes under Claudio Abbado. On Thurs, Franz Liszt Chamber Orchestra plays Grieg, Wiener, Bartok and Stravinsky. Fri: Rudolf Buchbinder piano recital. Next Mon: Vienna Madrigal Choir in sacred music by Bruckner (tickets 505 8190/ information 505 1363)
Konzerthaus Ingo Metzmacher conducts Vienna Symphony Orchestra tomorrow and Thurs in world premiere of new work by Wolfgang Rihm, plus music by Hartmann and Bruckner. Fri: Hans Zender conducts Austrian Radio Symphony Orchestra in Reger, Debussy, Mahler and Webern. Sun morning: Eliahu Inbal conducts Vienna Symphony Orchestra in Shostakovich. Sun evening: Heinz Holliger conducts Haydn's L'Isola disabitata. Next Mon: Alban Berg Quartet. May 20: Maurizio Pollini (712 1211)
OPERA
Staatsoper Tonight: Maria Stuarda with Agnes Baltsa and Mara Zampieri. Thurs: Madama Butterfly with Yoko Watanabe. Sat and next Wed: Carmen with Baltsa, Luis Lima and Sergei Leiferkus. Sun: Prokofiev's ballet Romeo and Juliet. Next Mon: Christoph von Dohnanyi conducts first night of Adolf Dresen's new production of Götterdämmerung, with Hildegard Behrens and Siegfried Jerusalem (51444 2955)
Messepalast Sat, Sun, next Mon, Tues: world premiere of Steve Reich's The Cave, with five large video screens showing interviews, landscapes, architecture and other images (586 1676)

■ WASHINGTON

KENNEDY CENTER
Washington Ballet's mixed bill, including new work by Monica Levy and Kevin McKenzie, runs from tomorrow till Sun. Oleanna, David Mamet's drama about political correctness and sexual harassment, runs daily except Mon. André Previn conducts National Symphony Orchestra in works by Vaughan Williams, Nicholas Maw, Strauss and Haydn on Thurs, Fri, Sat and next Tues. May 19: Alfred Brendel piano recital (202-467 4600)
BALTIMORE SYMPHONY ORCHESTRA
Gunther Herbig conducts works by Lutoslawski, Prokofiev and Beethoven on Thurs, Fri and Sat at Joseph Meyerhoff Symphony Hall, with piano soloist Jon Kimura Parker. Sun: Victor Borge (410-783 8000)
THEATRE
- Shirley Valentine: Willy Russell's comedy about a mother with dreams that take her on a courageous voyage. Opens on Fri, till June 6 (Church Street Theater 703-848 2632)
- Arms and the Man: Shaw's romantic comedy. Till June 6 (Center Stage's Pearlstone Theater 410-685 3200)
- The Skin of Our Teeth: Thornton Wilder's tribute to the indestructability of the human spirit as seen through the eyes of the Antrobus family. Till June 13 (Arena's Fichandler Stage 202-488 3300)
- Princess Ida: a Washington Savoyards G&S production. Thurs till Sun only (Duke Ellington Theater 301-964 6250)

JAZZ/CABARET
Blues Alley Jazz Supperclub This week's resident artist is vocalist Nancy Wilson, daily till Sun (1073 Wisconsin Ave, in the alley, 202-337 4141)

■ ZURICH

Tonhalle Tonight, tomorrow, Thurs, Fri: Kurt Sanderling conducts Tonhalle Orchestra in music by Prokofiev and Tchaikovsky. Sat: Raymond Leppard conducts Indianapolis Symphony Orchestra. Sun: Gerhard Oppitz piano recital (261 1600)
Opernhaus Tomorrow and Sat: Tosca. Thurs and Sun: Adam Fischer conducts Nikolaus Lehnhoff's new production of Don Carlo, with Francisco Araiza, Ruggero Raimondi and Gabriela Benackova. Fri: premiere of new ballet by Amanda Miller. Next Mon: Lucia Popp song recital (262 0909)
Schauspielhaus Thurs: first night of Feydeau's The Lady from Maxim's, directed by Achim Benning. Repertory also includes Hedda Gabler and Brendan Behan's The Hostage (221 2283)
Klosterkirche Münsterlingen Sun afternoon and evening: Andras Schiff plays Bach's Well-tempered Clavier Book 2 (251 5900)

European Cable and Satellite Business TV
(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Arts Guide
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandanavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

A clean break at last

Robert Graham examines the sweeping national realignment of Italy's political landscape

The dust is yet to settle on what Italians have called the "big bang". But the extraordinary break-up of the country's political system is beginning to yield new alliances that symbolise the struggle to restore confidence in a discredited state.

The national political realignment is taking place either within the existing parties or by their splintering and forming new associations, as politicians seek desperately to recycle themselves.

Prominent among them is Mr Mario Segni, the leader of the referendum movement on constitutional reform, who in early April broke after 16 years with the Christian Democrats. At the weekend he took the first steps towards heading a new Roman Catholic centrist party – based around the year-old reformist association, Democratic Alliance. The latter is still only a movement to test the wind in the June municipal elections.

Another who is trying to recycle his standing is Mr Giuliano Amato, the former Socialist premier, who is rethinking his previously announced withdrawal from politics. Capitalising on his reputation as a skilful and courageous premier, he is considering forming a new social democratic formation. To the left is another grouping around the PDS. Meanwhile, both the Christian Democrat and Socialist leaderships have said that they intend to resurrect their own parties by changing their names and symbols.

Both the break-up and reformation have been held back until now because many old guard politicians blocked it. At the same time, the reformers lacked the courage to make a clean break.

The disintegration started nearly three years ago with the collapse of the old Italian Communist party and its metamorphosis into the Party of the Democratic Left (PDS). The wave of corruption scandals unearthed by magistrates since early last year has proved the biggest single catalyst in discrediting the traditional parties that have ruled Italy since the second world war.

Three events radically altered the panorama: the fall of the Amato government, the advent of a transitional administration under former governor of the Bank of Italy, Mr Carlo Azeglio Ciampi, and the outcome of the April 18-19 referendums on constitutional reform.

Italy now has a government whose specific task is to introduce electoral reform in line with the principles laid down by the referendum. The overwhelming referendum vote ending public funding of political parties and introducing reform of the proportional representation system was a profound message of protest from the electorate.

Voters are no longer prepared to give their loyal support to parties which never bothered to prepare programmes yet managed to remain in power through unstable coalitions (the Ciampi government is the 52nd since the war). Instead they want governments with specific platforms, which are answerable to the electorate and which can be defeated at the polls. This would produce the vital change-over of power which Italy has lacked, and which arguably lies behind the consolidation of corruption.

Italy could adopt, as early as July, a first-past-the-post-system for two-thirds of the deputies and senators, the remainder still being elected by proportional representation to safeguard minority interests.

The prospect of fresh elections in October and the impending municipal/regional elections in June, affecting 11m voters, provoked a flurry of flirtations. The most striking new political force is the populist Lombard League of Mr Umberto Bossi, which claims nearly a third of the vote in the north. Mr Bossi seems content to focus on conquering the north and playing for a devolution of power to the regions.

Few seem willing to withdraw from national politics, save those too tainted by the corruption scandals to be publicly acceptable. In the latter category are Mr Bettino Craxi, the former Socialist leader, against whom Milan magistrates are seeking to press corruption charges, and Mr Giulio Andreotti, the veteran Christian Democrat and seven times premier, whom Palermo magistrates want to question.

Such elder statesmen, many now humbled, are likely to find themselves overtaken by the all-engulfing nature of the changes that are uprooting a whole political culture – and with it the dominant role of the state in the economy. The need for this "big bang" was evident in the wake of the general elections in April last year. Even then it seemed likely that Mr Segni's referendum movement would be able to gain sufficient signatures to prosper with proposals to reform voting for the Senate.

Ciampi: his choice underlines bankruptcy of established politics

The Amato coalition of Christian Democrats, Socialists, Social Democrats and Liberals was forced out of office because it was too identified with the "partitocracy" – the carving-up of power and the institutions of state among a corrupt party elite. Not only was the coalition undermined by losing five ministers implicated in the scandals, it also lacked the moral authority to carry out electoral reform, which all parties accepted as an essential step towards renewing the political system.

The task has fallen on Mr Ciampi, 72, the first non-parliamentarian to head a government this century. His was a choice of last resort, underlining the bankruptcy of established politics. President Oscar Luigi Scalfaro turned to his unquestioned prestige when the parties were unable to agree on anyone to perform this thankless responsibility.

Mr Ciampi nearly fell at the first hurdle when the PDS and the Greens pulled out within 10 hours of his forming a cabinet. His position remains tenuous. He has been obliged to rely upon the same slim majority as the outgoing four-party coalition of Mr Amato.

His strongest card is the fact that if he loses parliamentary support there is no alternative but immediate elections. This would be a recipe for disastrously unstable government, with imponderable consequences for economic management. The April referendum has introduced reform only for the Senate; without a balancing reform in the Chamber of Deputies, different electorate systems would apply for the two houses, which have equal powers of veto over each other.

The length of the government will depend on whether a majority in parliament believes Mr Ciampi's mandate is solely electoral reform, or if he has a broader brief to manage the economy. The former implies elections by the autumn once new rules are agreed; the latter a longer tenure, perhaps until next spring, allowing the parties to regroup.

Mr Ciampi's hand is inherently weak because of the serious splits within the parliamentary majority on which he must rely. These splits will become more evident after the municipal and regional elections in June. If he survives beyond the autumn, it would create the curious precedent of a non-politician leading a democracy through a political crisis after its politicians completely failed to do so.

Joe Rogaly

View from the Rialto

Don't laugh, but I'm beginning to wonder whether Mr John Major really can look forward to a prolonged tenure of office. This rush of blood to the head will be explained in a moment. First, let it be assumed that similar intimations of political mortality may have occurred to the prime minister himself yesterday as he consulted colleagues on the vexed question of whether or not to dismiss his chancellor in response to the clamour of frightened Tories.

If so, he will be aware that a cabinet reshuffle alone will not restore calm for long. For it is becoming plain that a chancellor here or there is no longer the deciding issue. Anyhow, the time for Mr Norman Lamont to resign was after lunch on September 16 1992, when his previously-proclaimed policies crumbled. There can be no glorious departure now. A sacking, or even a transfer, might be taken as evidence of panic. Mr Major has been struggling since Black Wednesday to restore his personal authority. In so doing, he has already used up six or perhaps seven of his political lives. Throwing Mr Lamont overboard might not be sufficient to prevent Fate from depriving him of the rest.

So much for doleful thoughts. The conventional wisdom, frequently rehearsed in this space, is that the Tories will win the next general election in spite of the upsets that have made such fools of them since they won for a fourth time in a row in April 1992. To judge by most of the weekend comment, this assumption has survived the drubbing the government took from the voters last Thursday. Most of us have also made the calculation that Mr Major will stay as leader.

Nothing tests your faith in the conventional wisdom more severely than a change of scene. In London last week, the familiar arguments held sway. Labour remains unmodernised, in thrall to the trade unions, and therefore unable to count on winning seats in the south of England. The Liberal Democrats can neither help such a Labour party nor attain an overall majority on their own. Boundary revisions will help the Tories. The economic recovery will favour the incumbents at the next election. There is no obvious candidate to replace Mr Major. To cap it all, the Tories have three or four years in which to regroup themselves. If they look like losing the next election they will, of course, choose to lose Mr Major first.

Just a small hop across the water and this perspective changes. No sooner had I arrived here in Venice for the annual conference of the International Press Institute than doubts began to creep in. One reason is that so many of the other representatives come from countries in which traditional politicians, or existing heads of government, have lost or are losing popularity. The first four examples that spring to mind are France, Spain, Germany and Italy. The political uncertainties that prevail in Britain are recession-driven, as in other European democracies. Britain's recession has been running for longer than the others, so its electorate is more disenchanted. Mr Major's favourite reverie, in which by 1996 Mitterrand, Gonzalez and Kohl have all left the stage to him alone, may suffer from the fault that he is currently dodging the largest fusillade of rotten eggs and old cabbages.

The prime minister is currently dodging the largest fusillade of rotten eggs and old cabbages

Looked at this way, the well-known facts of British political life can be re-stated. For a start, the two principal opposition parties are edging closer to one another. Their leaders are saying "no deals, no pacts", but voters showed last week that they know how to combine to throw the Tories out when they want to. The Conservatives are deeply divided. Their anti-Maastricht and pro-Thatcher schismatics (not always the same individuals) seem willing to fight to the death to destroy the party they say they love. Mr Major is contrasted with his predecessor in the same way as Mr George Bush was once compared with Mr Ronald Reagan. The Anglo-American super communicators of the 1980s were replaced by grey individuals who seem unable to get things done. One of those, Mr Bush, has fallen. *Ergo*...

From a distance, you see a vague outline of the wood, not the trees. At home among the thickets of British politics the killer question, "If not Major, who?" is asked by everyone, including his Thatcherite enemies. The latter have no champion ready to take over the party and insufficient voters to support a stalking-horse. Likewise, the remark "Labour? You cannot be serious" usually suffices to shut off contemplation of a Conservative defeat. Mr John Smith, the Labour leader, has his own answer to these arguments. He says he is a patient man, playing a long game. It is as if he wants you to believe that his recent lacklustre parliamentary performance (which belies his reputation) is the product of a deliberate stratagem, which, roughly summarised, is to sit back and let the Tories tear themselves apart.

This would make sound sense, if it was accompanied by quiet backroom words designed to re-invent the Labour party. If that is happening it is very quiet indeed.

Here in Italy, a different fancy presents itself. Until very recently, the famous Italian political problems – organised crime, corruption, a multiplicity of small parties leading to weak government – seemed insoluble. Perhaps they still are. But, as the rest of the world has been witnessing with some admiration, the Italians are undergoing a bloodless revolution. The complexities are described alongside. The cheering reminder for outsiders is that no political situation is permanent; quite surprising changes can suddenly occur. We saw that in the communist states. Now we are seeing it in a western democracy.

In London this may seem like pie in the sky. The log jam in British politics seems unbreakable. The electorate holds the government in fair contempt. The Labour party has not yet earned its trust. The likely consequence is a long period of sub-standard administration by Conservative politicians of the second rank. That is the conclusion to which you must come if you accept the conventional wisdom, as I suspect I will as soon as I get home. Yet something unpredictable may change this – the rise of a Northern League, as in Italy, or a Ross Perot, as in the US, or a sensibly modernised Lab-Lib opposition, as in so many British imaginations. If you wish to be optimistic about British politics you must believe that the people do eventually bestir themselves, even in the most complacent of democracies.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Scramble for bottom position

From Mr Roger Lyons

Sir, It comes as a shock to read of a British government claiming credit for turning the people of our country into a reserve army of cheap labour ("Claim on wages attacked", May 4). And yet this is what Mr Major, the prime minister, and Mrs Shephard, the employment secretary, are seeking brownie points for. Come to Britain for the lowest pensions, the lowest wages, the lowest social benefits in Europe – this is what our government is saying to German and other European companies, even if the case is exaggerated.

There was a time when British governments felt it to be their first responsibility to improve living standards for the majority of people – to be the best in Europe, not the worst. Now after a decade and a half of low investment in industry and cuts in the social wage, the British government is begging European companies to take advantage of our low standards. What a commentary this is on the priorities of modern Toryism. And what a recipe to drive down standards in Europe as country after country is encouraged to scramble for bottom position in the league table of social benefits. As the union representing more than half a million skilled and professional people, MSF will use every avenue, including the European Court, to construct a level playing field within Europe's developing single labour market.

Roger Lyons,
General Secretary,
MSF Union,
64/66 Wandsworth Common North Side,
London SW18 2SH

Assessment of Italian economy is detached from reality

From Mr Flavio Parini.

Sir, I read with interest and a little apprehension Franco Modigliani's personal view on things Italian ("The year of the great opportunity", May 5) and I believe a few of his statements cannot rest unchallenged. Mr Modigliani is one of the brand-name economists that established governments in Italy regularly call up to back up their assertions that Italy is well on its way to recovery (economically, politically, morally or whatever is trendy at the time).

The idea that the creation of more secure jobs will follow from developments on the further ratification of agreements on the labour-cost front is nice, but a little detached from reality. As Mr Modigliani himself points out later in his article, deficit reduction comes from urgent cuts in public expenditure and revenues from privatisations. Both these measures, if implemented, require substantial restructuring of the inefficient public sector where some estimates put the dimension of "overstaffing" at some 300,000.

The role of the unions will now become closely intertwined with the new political reality that has emerged and that will dominate the scene whatever future political developments are likely to be – the role of the (moderate) Communist party as active balance of power (a role formerly assigned to the now disgraced Socialist party).

To draw any conclusions without highlighting this would mean over-simplifying the picture beyond reason.

A final consideration on interest rates: the very fabric of the Italian economy rests upon the key assumption that taxpayers remain happy with their returns and are willing to subsidise the gargantuan debt mountain. This in itself distorts the picture versus its neighbours greatly and provides an automatic downside.

I disagree with the statement that Italy is engaged in a rebellion against the Bundesbank in that the way events, both at the time of devaluation and ever since were handled, indicate precisely the opposite – a repetition of the old game with the added spice of great political uncertainty.

Flavio Parini,
24 Harrington Gardens,
London SW7 4LS

Sunday trading: government, the public interest and the social viewpoint

From Mr Roger Saoul.

Sir, Your leader ("Sunday trading", May 7) suggests that sectional interests in the Sunday trading debate, and especially those who oppose deregulation, are not making a genuine attempt to define the wider public interest. That is not their job. It is the job of government to define and serve the wider public interest, and gather such information as is deemed necessary to do so.

In the case of Sunday trading, this process has been in work for many years, and sectional representations have been balanced by many economic assessments which, when they are independent as in the case of the latest from London Economics, have produced results which can only be speculative and imprecise.

Soon the issue will move on to parliament again, where of course sectional interests are well represented. For this reason, the forthcoming parliamentary consultation exercise is likely to lack the definition and service of the wider public interest you rightly seek.

In the meantime, the leaders of the sectional interests will continue to fight their corners, and they would be in serious dereliction of their duty to their shareholders and members if they did not do so.

Roger Saoul,
78 West Hill,
London SW15 2UJ

From G R Bull.

Sir, Your leader suggests that it is in the wider public interest to deregulate.

From a purely economic viewpoint, this may well be the case, although the argument is far from proven – the impact of recovery of overheads, varied contracts etc, may not yet have been fully accounted for in the rush to achieve seven-day trading.

However, from a social viewpoint, the wider public interest is unlikely to be served by turning Sunday into just another High Street trading day. The traditional "differentness" of Sundays portrayed as a rest day or family day, seems to me to be essential in the longer-term welfare of society. The break of routine that the weekend, and particularly Sunday, provides is an important contribution to the well-being of us all.

I am sure that our creator God knew best when a day of rest was included in His blueprint for the pattern of life.

G R Bull,
8 Highfields Close,
Ashby-de-la-Zouch,
Leicestershire LE65 2FN

Green shoots pulled up

From Mr John Brandler.

Sir, As a small business encouraged by the "green shoots" press, I want to export some art. For 11 days I have been telephoning Mr Heseltine's department and his own office to get the paperwork but they will not send it. The Department that Terrorises Industry? The switchboard interrogates the caller before putting them on hold and losing the call. I assume they are British Telecom shareholders. As a small business I must give up and leave it to the gun makers to get their licences.

John Brandler,
Brandler Galleries,
1 Coptfold Road,
Brentwood,
Essex CM14 4BM

Reward for LWT managers

From Sir Christopher Bland.

Sir, In his story "LWT managers likely to receive £55m payout" (May 7) Raymond Snoddy quoted my description, "an outstanding reward for an outstanding performance," but failed to report some of the most important features of that performance. Since December 15 1982 the FT All Share Index has risen 18 per cent; the LWT share price rose 304 per cent. LWT's market capitalisation increased from £73m to £355m, and the IRR for LWT shareholders was more than 50 per cent a year.

The scheme was not, as Lex describes it, a share option scheme: LWT's managers risked approximately £3m of their money, and the scheme was approved by LWT's shareholders. And finally, perhaps Bectu should ask themselves whether their members were better to have been at LWT since 1989 than at the four companies which lost their franchise.

Christopher Bland,
chairman,
LWT,
London Weekend Television Centre,
Upper Ground,
London SE1 9LT

Doubtless

From D P Jeffcock.

Sir, Doubtless if, on the morning when BAT Industries' shares rose above £10, Mr Paul Myners, chairman of Gartmore (Letters, May 7), had got wind of the coming tobacco price war, he would not have sold whatever shares Gartmore may have had in that company, and would subsequently have written an explanatory letter to his clients about the unforeseen collapse in the share price.

D P Jeffcock,
Wellington House,
Captains Row,
Lymington,
Hants SO41 9RR

FINANCIAL TIMES
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Tuesday May 11 1993

French jam tomorrow

IT IS convenient for a new government to blame unpopular decisions on its predecessor. It is not surprising, therefore, that the new centre-right government headed by Mr Edouard Balladur, should have blamed fiscal austerity on the Socialists. The tragic suicide of his predecessor, Pierre Bérégovoy, will make this approach seem more bitterly partisan even than usual. The main question, however, is whether the scale and the timing of the proposed action is warranted.

For 1993, claimed Mr Balladur yesterday, the total fiscal deficit would, if unchecked, be FFr410bn or 5.8 per cent of gross domestic product. His government's intention is to limit the deficit to 4½ per cent of GDP this year and bring it down to 2½ per cent of GDP, within the Maastricht fiscal criteria, by 1997.

The government's "medium-term financial strategy" rests on tight control of public spending, which is to grow less fast than inflation in nominal terms. Meanwhile, reductions in the deficit this year will depend partly on tight control of spending, including limits on increases in public salaries, and also on an increase in the "general social contribution", a surcharge on income tax, from 1.1 to 2.4 per cent of incomes.

Growing deficit

Mr Balladur made much of the unsustainable fiscal position he inherited. The deficit has tripled in three years, he pointed out. Meanwhile, public debt has risen 40 per cent since 1988, when he left office as finance minister, to reach a third of gross national product. In the absence of decisive action, he argued, France risks losing all margin of manoeuvre.

Judged by current British fiscal standards, let alone those of the Italians, Mr Balladur protests too much. Nevertheless, recent data from the IMF show that the French general government financial deficit is only below those of Italy, the UK and (marginally) Canada among the Group of Seven leading industrial countries. The IMF also suggests that the deterioration in the French structural fiscal deficit will be 2.1 per cent of GDP between 1991 and 1993, only fractionally less than the estimated cyclical deterioration of 2.2 per cent over these years. France shows, in more modest form, the same development as the UK: a large fiscal deterioration in reaction to an exceptionally tight monetary policy.

The difference between France and the UK is that the former has only limited control over monetary policy. The soon-to-be-independent Banque de France, has managed to reduce its important interest rates five times since the new government took power, as the credibility of the parity has grown. Short-term interest rate differentials *vis-à-vis* the D-Mark have more or less disappeared, while the differential on long-term bonds is less than half a percentage point.

Question of timing

These reductions in interest rates are as much as can be expected from improved credibility. From now on lower interest rates will depend on reductions in German interest rates, which will be slow at the short end and may be slower still at the longer end. But this means that French long-term real interest rates may remain at around 5 per cent for an extended period, while short-term ones may fall only slowly from their current levels of around 5½ per cent. It is little wonder then that the French economy is expected to shrink, in the government's view, by 0.4 per cent this year.

The government's fiscal programme has to be judged against this bleak background. It is not whether action needs to be taken at some point, but its timing that needs to be questioned. Should the budget proposals allow the French government to lower still further, or even reverse the interest rate premiums against Germany, then they would be well timed. But should they merely tighten the fiscal grip, while the monetary one remains as severe as it is now, their economic wisdom would have to be questioned.

Politics is almost always more important than economics. For the government, it may be better to impose ill-timed measures it can blame on its predecessor than well-timed ones which would be blamed on itself. For the French public, therefore, it is *rigueur* today – and more *rigueur* tomorrow.

Off your bike, Mr Patten

AFTER LAST week's humiliating election defeats for the government, the prime minister promised to pay more attention to the concerns of the electorate. Close to the top of Mr Major's priorities should be the fiasco over the testing of schoolchildren in England and Wales. Two opinion polls yesterday indicated that teachers who are boycotting the tests have succeeded in winning public support for their action. A compromise is urgently needed to end the threatened confusion in schools while preserving the government's aim of improving standards through regular testing.

The opinion poll results make salutary reading for ministers. One showed that 62 per cent of parents wanted this year's tests abandoned, while 51 per cent supported the teachers' boycott of the new tests. The other found that 62 per cent of all adults accepted the unions' argument that the tests are too complicated and time-consuming. Over three-quarters believed the tests had been introduced too hastily – including 63 per cent of Conservative voters.

It is not that the government has lost the basic argument over tests; both polls show support for the idea of regular testing. Mr John Patten, the education secretary, therefore seems to have pulled off a remarkable coup in uniting so many against the English tests to be introduced this summer for 14-year-olds. In addition to alienating the teachers, the parents and the general public, he has lost the support of independent schools, governors and managers, and even two of his own advisers on testing.

Hidden agenda

Despite the breadth of opposition, Mr Patten promises to persevere with the testing timetable. He rightly accuses some opponents of having a hidden agenda which is opposed to compulsory testing. He rejects the calls of those who want the extension of testing suspended until the completion of the review of the national curriculum by Sir Ron Dearing. He says that people riding bicycles fall off if they stop pedalling, a tempting analogy but unfortunately not a pertinent one in the circumstances.

For in continuing to pedal so vigorously, Mr Patten threatens to cycle over a cliff and destroy the testing bicycle altogether. With the united opposition of all six teachers' unions, there is little chance of the tests taking place in enough schools to validate comparisons based on them. Some heads and teachers will make efforts to stage the tests. So, too, will some governing bodies and education authorities. The consequence will be to sour relationships with teachers who are boycotting the tests, to little educational purpose. There may also be a further loss of confidence in the policy among parents. It will be harder to win support for any new tests which are devised after Sir Ron's review.

Tactical retreat

Worse, the boycott of the tests for 14-year-olds threatens to spread to the tests for seven-year-olds. These are now in their third year, and appear to be running smoothly after initial teething troubles. By refusing to call off the controversial tests at 14, the government risks losing the worthwhile progress made on tests at seven.

The most important task now facing ministers is to build a consensus on testing which can command the support of all but the most die-hard opponents of tests. It would be hard to come up with proposals for externally moderated tests which would win the support of the most militant teaching unions. But it should be possible to win back the support of the moderate Association of Teachers and Lecturers and the head teachers' unions – not to mention testing advisers, governors and, of course, parents.

It is time, therefore for a tactical retreat on testing for 14-year-olds. Time is needed to devise less unwieldy tests confined to the aim of allowing parents to judge the performance of schools rather than providing nationwide comparisons of individual student performance. Ideally those tests would be ready for 1994, so that the testing timetable slipped by only one year. But more important than a timetable is the requirement for tests which command the support of most, if not all, of the constituencies with an interest in raising the standards of education in Britain's schools.

UK oil tax reforms raise crucial questions about resource management, write Deborah Hargreaves and David Lascelles

Gamble in the North Sea

Few measures in the March Budget created as much of a rumpus as Mr Norman Lamont's proposals to reform the taxation of North Sea oil. Apart from opening up divisions within the oil industry, they raised crucial questions about how the UK should manage this important resource.

The repercussions reach parliament today with the debate on the finance bill, for which a senior backbench MP has tabled amendments intended to cushion the impact of the changes. But the government, in the person of Mr Stephen Dorrell, the financial secretary to the Treasury, who is responsible for the measure, is refusing to yield. "I have listened to all the representations we have received, and none of them contained anything that we had not considered before the Budget," he says.

Although the debate will be about the extent to which oil companies should be allowed to set their exploration costs against their oil taxes, the real issue is how the UK should make the most of its remaining oil and gas reserves. Should they be treated as a strategic asset and exploited to the full or only as the market dictates?

Mr Lamont, the chancellor of the Exchequer, is proposing to cut the petroleum revenue tax (PRT) on existing large North Sea fields from 75 per cent to 50 per cent, and to eliminate the tax altogether on new fields. But at the same time, he wants to end oil companies' right to set their exploration costs against their total PRT bill. The effect will be to make production from developed fields more profitable, but increase sharply the cost of exploration for companies which have been able to take advantage of the PRT offset.

In his Budget speech Mr Lamont described PRT as "increasingly anachronistic". It was introduced in 1975 at a time of surging production and high oil prices to ensure that the Exchequer got its fair share of oil profits. Today, with the oil price close to a 20-year low in real terms, there is less incentive to increase production at such a high tax rate.

The ostensible aim of the changes, therefore, is to adapt the North Sea tax regime to the requirements of a mature oil province where further large finds are unlikely and interest has shifted to making the most of developed reserves.

But the underlying motive is also to boost tax revenues. The Exchequer's earnings from the North Sea have fallen from a peak of £12.2bn in 1984-85 (more than half of it from PRT, and the rest coming from royalties and corporation tax), to only £1.35bn last year, of which a mere £50m came from PRT. Although the Treasury will lose from the cut in the PRT rate, this loss will be more than offset, it says, by the abolition of exploration allowances, leaving a net addition to tax revenues of £300m next year and £400m the year after that.

A third motive is to bring North Sea taxation in line with the government's overall approach of reducing tax rates and eliminating allowances. According to Mr Dorrell, PRT at 75 per cent is the highest rate of any tax in the country and the abolition of allowances will stop oil companies effectively exploring at the taxpayers' expense.

But in trying to boost its revenues and bring oil taxation in line with its fiscal philosophy, will the Treasury actually damage the prospects for the North Sea? There is a danger that Mr Lamont will kill the incentive to explore at the very moment when the UK needs to make that extra push to find its last, difficult, fields. Will oil companies reinvest the savings from lower PRT to squeeze more out of the North Sea or will they just pocket the money and spend it elsewhere? More broadly, there is the question of whether the new tax regime will handicap the UK in the increasingly competitive international market for oil company investment.

These various issues depend on how the outlook for the North Sea is viewed. Contrary to popular perceptions, Britain's oil production has not peaked. Output is forecast to reach record levels of more than 125m tonnes in the middle of this decade. As for reserves, the UK has extracted a total of 1.6bn tonnes of oil to date, and has between 610m and 2.1bn tonnes of recoverable reserves left. The department of trade and industry estimates in its latest Brown Book (its oil and gas annual) that there could also be between 530m and 3.3bn tonnes to be discovered. In addition, output and reserves of natural gas, which are playing a fast-growing role in the country's energy balance, are both rising. So while the North Sea may be mature in the sense that it is well explored and developed, it is far from being played out.

The Treasury's view is that the days of jumbo discoveries are past, and that the job now is to ensure that known fields produce their maximum yield. This view is supported, predictably perhaps, by Shell and BP, operators of two of the largest fields in the North Sea, Brent and Forties, who stand to gain from the PRT cuts.

Mr Chris Fay, managing director of exploration and production at Shell, believes that more than half of the North Sea's oil has either been pumped out already or is currently under development. This leaves a quarter which has been discovered and not yet developed.

"The Budget is rewarding successful exploration by reducing production taxes, but any exploration must be carefully costed and justified rather than be merely a gamble as was often the case under the old regime," Mr Fay said.

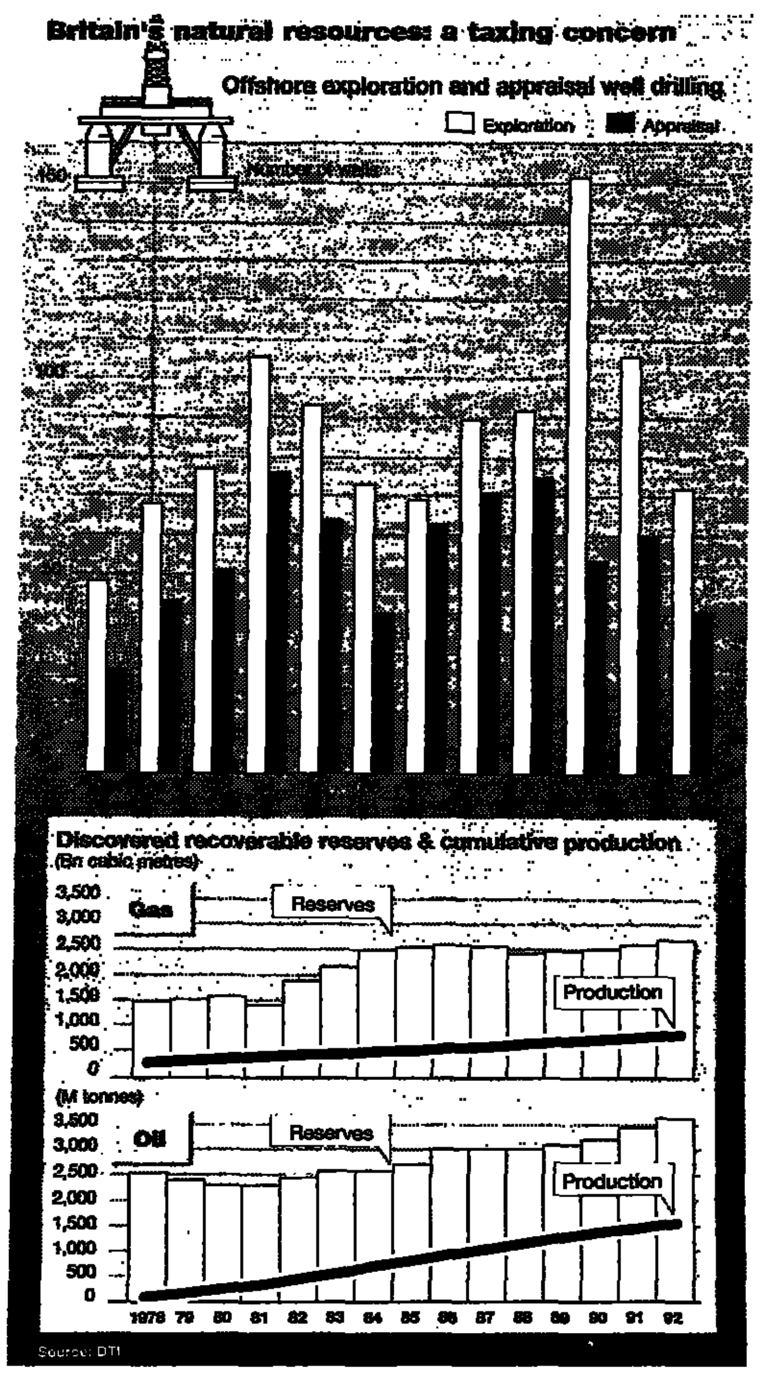
However, the Treasury's argument is strongly opposed by smaller companies who have taken the lead in the North Sea exploration effort as discoveries have got smaller. They warn that the abolition of PRT allowances will lead to a sharp drop in drilling and appraisal activity. Where it is currently worthwhile for a company to develop a field of 15m barrels, the new tax regime would quadruple costs and raise that threshold to 60m barrels, these companies say. The consequence will be fewer additions to oil reserves and therefore, ultimately, less tax revenue for the Exchequer, to say nothing of lost jobs and other social costs.

"It means that there will be a tranche of oil and gas reserves that will not be exploited," says Mr John

Harder-to-find reserves, low oil prices and rising costs have already cut the number of wells being drilled

Hogan, chief operating officer at Lasmo, the independent company with large North Sea interests. "They'd rather leave that unexploited than give back the tax benefits. I hope that they have struck the right balance."

Judging by the concern shown by many backbench MPs, the public is also worried that the UK will fail to make the most of its oil assets. The combination of low oil prices, rising costs and harder-to-find reserves



Source: DTI

has already led to a fall in the number of exploration wells being drilled. This suggests that incentives to explore should be sharpened, rather than reduced, these MPs believe.

But Mr Dorrell decries what he describes as "the National Coal Board culture of seeking to recover a resource regardless of the cost".

It is not in the country's interest, he says, to provide tax breaks for companies to develop oil and gas deposits which are not economic in their own right. He believes it is the country's duty to leave them in the ground for future generations to develop when technological advances or rising energy prices make them economic. He wants to change the North Sea from a low-risk, low-reward province to one where oil companies take more of the risk, but also keep more of the profit if they are successful. If this results in oil being left in the ground, that is what the market thinks best, according to Mr Dorrell.

The threat of a sharp fall in exploration may have been exaggerated by independent companies who stand to lose their tax breaks. As much as 40 per cent of current exploration activity is being conducted by companies which pay no PRT against which to offset the cost, Mr Dorrell says.

The other important uncertainty is whether the government is correct in assuming that oil companies will reinvest their PRT savings in the North Sea. Again, the oil majors are promising big benefits as development projects are accelerated to take advantage of lower PRT. Mr

The industry still hopes that the Treasury will agree to transitional arrangements to soften the blow

David Simon, chief executive of British Petroleum, said: "The PRT changes will bring more barrels out of the North Sea. Some projects will move up the pecking order of priorities worldwide because of the new tax regime."

BP yesterday announced it would develop nine oil fields in the central North Sea earlier than planned because of the Budget changes. The company said that development of the fields – the Eastern Trough Area Project, which will cost between £1.5bn and £2bn over the next five years –. was given a "significant impetus" by the new PRT rules.

But the smaller companies take a different line. Mr Francis Gugen, finance director of Amerada Hess, points out that even after the PRT cut, profits from large North Sea fields will be taxed at 71 per cent by the time corporation tax is added in. "Why invest in something with that sort of tax rate when you could invest elsewhere?" he asks. Amerada has said that it will transfer exploration out of the UK North Sea if the Budget changes go through.

Whether a flight of drill rigs out of the North Sea actually occurs depends on how the UK stacks up against other oil producing regions. Under the new regime, the rate of tax on North Sea profits would range from 33 per cent on fields exempt from PRT, to 71 per cent on fields that pay it. This is a relatively low rate by international standards (in Norway companies pay a flat 78 per cent). But the abolition of allowances will put the UK at a disadvantage to Norway which allows full tax relief for exploration and where geologists believe there are still large fields yet to be discovered.

In spite of the high costs and maturity of the North Sea, a study by Wood MacKenzie, the oil analysis group in Edinburgh, found that the UK still compares well with other countries in its attractiveness for drilling. The study was completed before the PRT changes, but Wood MacKenzie believes they will not affect the appeal of the UK's oil and gas resources.

Wood MacKenzie plotted the number of commercial oil discoveries against the number of wells drilled for nine countries in three distinct regions worldwide: Indonesia, Malaysia, Philippines and Vietnam in south-east Asia; Angola, Congo and Gabon in west Africa; and Norway and the UK in the North Sea.

The analysts found that, in the past 20 years, the UK was behind only Norway in the number of commercial oil finds. But because of its increasing maturity, the UK slipped into sixth place when it was ranked on the success of wells in finding commercial oil discoveries in the past five years.

The study also compares the countries on a risk-reward basis which ranks the drilling success rate with the attractiveness of the fiscal regime. This was conducted before the PRT changes. The UK ranked joint second with the Congo after Vietnam.

But Wood MacKenzie stresses the importance of the host government's attitude to the oil industry in attracting its migratory capital. Mr David Black, an industry consultant at Wood MacKenzie said: "One of the disappointing features of this PRT change is that the UK was always regarded by the industry as politically and fiscally stable: everyone knew how you played the game, but this has been destroyed at a stroke." Mr Black said the lack of consultation over the changes and the retrospective nature of the move had shocked the industry.

The industry still hopes that the Treasury will agree to transitional arrangements to soften the blow and restore the UK's hospitable image. These arrangements, proposed by Mr John Butterfill, MP for Bournemouth West, and other senior Tory backbenchers, involve continuing tax relief for wells where companies have made commitments to drill but have not yet started work. This will be financed by raising the proposed PRT rate from 50 per cent to 55 per cent until the end of 1996.

Mr Lamont is taking quite a gamble with his proposed reforms. If they work, he will have called the oil industry's bluff about their potentially disastrous impact. Britain will enjoy the double benefit of continued exploration and more intensively managed North Sea fields. But if he has misjudged the situation he may not only stifle new exploration, but he could also kiss goodbye to billions of dollars worth of future North Sea investment.

OBSERVER

Solving an art problem

■ *The idea of giving Lord Gowrie*, boss of Sotheby's Europe, the chairmanship of the Arts Council when Lord Palumbo's term expires next March, sounds rather persuasive at first sight.

During his time in government Gowrie, 53, was one of the few arts ministers who knew anything about the arts and as a published poet and former dealer in contemporary pictures he would enjoy mixing with his own kind. The stumbling block is whether he can square chairing the council and still keep his well-paid job at Sotheby's.

Although Lord Palumbo turned it into a full-time post, it doesn't have to be so. His predecessor, Lord Rees-Mogg, got by with popping in twice a week. The difficulty is that the chairmanship of the Arts Council is unpaid and Gowrie is not rich, so he would probably want to keep his Sotheby's pay packet. This shouldn't pose much of an obstacle for Sotheby's. True, recent management changes have undermined Gowrie's role in the firm. However Sotheby's New York, which calls the shots, loves having a Lord on its letterhead, especially one with a high-profile job at the heart of the British establishment.

The real problem may be concerns in Whitehall that Sotheby's, rather than the council, would gain most from any such appointment. The hunt for Palumbo's successor may not be over.

Modernising

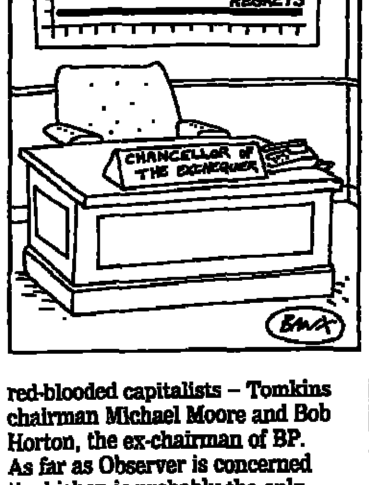
■ Suggestions, please, for a replacement for one of Britain's most baffling local authority names – Langbaurgh.

The name, which is Saxon for long barrow and refers to the Cleveland hills, crept onto the map following the 1974 local government reorganisation. Its pronunciation, and spelling, have caused bother ever since. Some people even thought it was in Wales, prompting Langbaurgh council to slip in "on-Tees" a few years ago.

Now the Local Government Commission has said Langbaurgh should become a unitary authority, but under a new name. One idea is Redcar Council. The only problem is that the council offices are not in Redcar, but Eston, near Middlesbrough. Suggestions on a postcard to the town clerk.

Title fight

■ *What is business success?* The title of tonight's debate at The Royal Society for the Encouragement of Arts, Manufactures and Commerce, sponsored by head-hunters Saxton Bampfylde, will presumably provide the usual amount of hot air. Sir John Egan, the chief executive of BAA, and the Bishop of Oxford, are pitted against a couple of



red-blooded capitalists – Tomkins chairman Michael Moore and Bob Horton, the ex-chairman of BP. As far as Observer is concerned the bishop is probably the only one who can come up with a convincing answer – getting to heaven on time.

Checkmates

■ No wonder the Labour party wants to reform the House of Lords. Last week, John Smith, the party leader, had to sack Lord Desai from his job as opposition economic spokesman for speaking out of turn on the merits of extending VAT.

Now Jack Straw, shadow environment secretary, has had to squash another embarrassing initiative. Observer hears that his independently minded mates in the upper house had wanted to do a deal with the Tory rebels who oppose the government's leasehold reforms. In the hope of defeating ministers today during the final stages of the bill, Labour peers were intending not to vote, which would have given the Tory rebels a free run at the government.

The Commons shadow environment minister had to point out to them that Labour itself is not in favour of restricting the rights of tenants as the landlords' lobby propose. Ministers are now hoping that the opposition's efforts at whipping its troops are rather more effective than their own.

Legal problem

■ Tony Ensor, the only casualty of the boardroom bust-up at Liverpool Football Club, is nowhere near as well known as Graham Souness, the club's embattled manager. But his departure raises an interesting question. Who advised the board on the legal side of the Souness row?

Ensor may have been little known to many fans, but he is widely respected in the Merseyside business community as the senior partner of Weightman Rutherfords, one of the north-west's leading corporate law firms. He became a Liverpool director after the Heysel Stadium disaster in 1985, and has been a source of stability in the boardroom ever since.

Ensor's sudden exit must raise questions about how long chairman David Moores, a member of the wealthy pools family who became chairman in August 1991, can survive in the job. The least Moores should do now is find another top-notch lawyer.

Mixed feelings

■ Good news and bad news in a Mori survey soliciting executives' views on corporate governance. Music to the ears of the sponsors – two executive placement companies – is that most of those questioned were in favour of changes which would boost the number and power of non-executives on company boards.

More dispiriting, by contrast, is that not many supported a more objective selection process to govern the employment of their services. The bulk of positions still seem to be filled via the old boy network, and most of Mori's interviewees opposed a majority of non-executives on appointments committees.

Meal of it

■ Leeds solicitors Lupton Fawcett briefly breaks client confidentiality to report that a gentleman known to the firm has had his tax return devoured by his infant daughter.

No doubt it will be processed through the normal channels.

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Fiat to meet on ethics in new approach to corruption probe

Haig Simonian on a company hit by Italy's widening political scandal

THE meeting today of the board of directors of Fiat, Italy's biggest private company, will be a more sombre occasion than that originally called to approve last year's accounts.

The gathering has been overtaken by Italy's widening political corruption scandal, in which Fiat has been pitched into the front line.

At the last count almost a dozen executives had been arrested, interrogated or briefly detained by magistrates investigating alleged kickbacks on public sector contracts or bribes to politicians or political parties.

The board has been summoned to approve a new code of business ethics, drawn up by lawyers. Incorporating an existing document on internal issues, such as conflicts of interest and insider trading, the code, modelled on similar practice at big US groups such as IBM and General Electric, will guide Fiat managers when dealing with bribery and corruption.

The magistrates' inquiries have moved steadily up the group's management ladder to embrace, most recently, two of its three top executives, excluding members of the controlling Agnelli family.

Earlier this year, Mr Francesco Paolo Mattioli, Fiat's chief financial officer, spent 28 days in Milan's San Vittore prison before being transferred to house arrest. Last month, magistrates issued a cautionary warrant against Mr Giorgio Garuzzo, its chief operating officer. Mr Garuzzo was placed under house arrest.

Other executives arrested or questioned by magistrates include Mr Antonio Mosconi, managing director of Fiat's Toro insurance company, Mr Riccardo Ruggeri, managing director of its New Holland farm and earth-moving equipment business, and Mr Paolo Torricelli, head of the Fiat Avio gas turbines subsidiary. The last two are now back at work.

The arrests reflect the main strands uncovered so far in the investigations. Mr Garuzzo and Mr Ruggeri were formerly chief executive and head of the bus division of Fiat's Iveco commercial vehicles subsidiary respectively. Iveco has been implicated in alleged kickbacks on bus sales to the Milan council.

Mr Massimo Aimetti, Iveco's finance director, is also under house arrest in Turin.

Construction is the second sector in which Fiat has been implicated. Apart from Mr Mattioli, chairman of the group's Cogefar-Impresit building unit, other executives interrogated include Mr Mosconi, who was managing director of the Fiat-Impresit building unit, and Mr Enzo Papi, a former senior manager in the group.

Fiat has also been embroiled in allegations of kickbacks on contracts from Enel, the state electricity generating authority. The allegations have resulted in the issue of cautionary warrants against Mr Torricelli, now back at work, and Mr Mauro Bertini, head of Fiat Avio's gas turbines division, who is under house arrest.

The string of arrests, most of them in the past two months, triggered Fiat's more co-operative approach towards the investigations. Last month, Fiat's lawyers contacted Milan magistrates, proposing that Mr Cesare Romiti, Fiat's chief executive, should come forward voluntarily to answer questions.

Although the magistrates denied they had done a deal with Fiat, the company's initiative has led to a temporary halt on arrests and a relatively soft reception for those executives against whom cautionary warrants have been issued and who have returned from abroad.

So far, Mr Romiti has appeared twice before the magistrates. On the last occasion, he delivered a 20-page document, and six pages of appendices, outlining political corruption. Since then, other Fiat managers have supplied additional information.

Mr Romiti also used the occasion to exhort other businessmen to adopt a similar approach. In a letter to Corriere della Sera, the Milan paper indirectly controlled by Fiat, he called on fellow executives to follow his lead, a position greeted with some sarcasm given Mr Romiti's late conversion to the cause.

The change of heart has visibly eased the tension between the magistrates and the company in the past three weeks. It has also lifted the mood within Fiat itself. Although no one wishes to be quoted, it is clear the former strategy of non co-operation affected morale and caused strains within the company.

However, last weekend, matters took a potential turn for the worse. In one of the press leaks which have become rife in the investigations, Panorama, a weekly news magazine, published extracts from Mr Mosconi's testimony. The report alleges that Mr Romiti knew of the foreign bank accounts in the mid-1980s, long before previously indicated.

The magazine also published a denial by Mr Romiti. However, the resurgence of doubts about the degree of Fiat's willingness to co-operate is bound to raise the temperature between magistrates and the company once more.

And it is sure to trigger renewed accusations from other leading businessmen, still in prison, that Fiat has been given preferential treatment.

A clean break at last, Page 14

THE LEX COLUMN

Tomkins' thin slices

Tomkins' latest trading announcement does little to dispel the view that the conglomerate is more intent on rewriting numbers on bits of paper than taking decisive steps to reshape Ranks Hovis McDougall. Tomkins' shares have wobbled recently so it decided to release a progress report before entering its closed period. Given current sensitivities about price-sensitive information, such an approach is certainly to be commended.

That said, not a lot emerged. Much of the progress made has been pretty standard stuff. Tomkins has chopped about 5 per cent of RHM's workforce – or 1,500 jobs. It has shut RHM's UK and US head offices. Some of RHM's sacred cows – such as its research and development budget – have already gone through the mincer. Tomkins will take a £90m provision to cover such costs. Although the scale of provisioning is not large by the standards of a BTR or Hanson, it still represents about 7 per cent of the purchase price. David Tweedie would hardly approve.

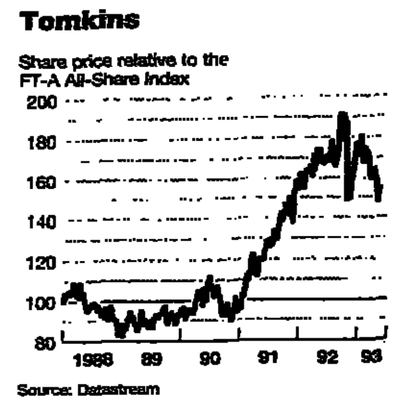
As a piece of financial engineering, the acquisition's appeal is now becoming apparent. The industrial logic, though, remains as opaque as ever. The rationalisation of RHM's milling and baking businesses is proceeding much as the previous management had already outlined. The great assault on the industry's capacity problems has not yet been made. Meanwhile, the competition may even intensify. ABF has lost several percentage points of market share in the past few years. It seems rather keen to win it back.

UK economy

Past form suggests the government likes to react to political troubles with a soothing cut in interest rates. That thought gripped both the foreign exchange and equity markets yesterday, especially given the favourable data on producer prices. Manufacturers' output prices are showing only a restrained response to sterling's exit from the ERM, while input prices are already feeling the benefit of its recent appreciation. A similarly positive message from the retail prices next week – which is to be expected anyway now there is no poll tax – might create an excuse for lower rates. It would be rash to assume the government will use it.

The economy is stronger than it was at the time of January's surprise cut and interest rates are, of course, lower. Yesterday's consumer credit

FT-SE Index: 2829.8 (+36.1)



data show the recovery is taking hold, but the balance of payments is too fragile to sustain consumer-led growth for long. If there has to be a quick political response to the Newbury and local election results, it is more likely to take the form of a cabinet reshuffle than a cut in rates.

A new chancellor would still confront old problems. Norman Lamont's last budget failed adequately to address the medium-term strains on the PSBR, while Newbury has increased the political obstacles in the way of reducing it. A further rate cut might in due course soften the blow of fiscal tightening. By steepening the yield curve, it would also facilitate the sale of gilts. But the PSBR would finally have to come under convincing control. Otherwise the markets may start to worry about the inflationary spectre and interest rates would be on their way up again.

HDTV

Europe's electronics manufacturers have failed to excite programme makers, satellite operators or consumers with high-definition television. Yet, judging by the negotiations in Brussels yesterday, they are still trying to play pork barrel politics to keep their obsolete vision of the future switched on. Both the Japanese system and HD-MAC, the European high-definition television standard, use analogue technology similar to conventional sets. Digital HDTV technology is, however, catching up. In the US the Federal Communications Commission is due to select a digital standard within the next year. Digital TV's extra capacity will leave analogue standing, yet Philips and Thomson are still trying to get public money to promote their old-style HD-MAC.

Waiting for digital TV would delay HDTV by at least 5 years. The equipment would also be more expensive than that using HD-MAC. Perhaps digital television will never attract enough interest to make people switch. But it seems improbable that television companies or consumers will be prepared to commit almost as much money to HD-MAC in the knowledge that a better technology is just around the corner.

The urgency comes from electronics manufacturers who need new products as existing technologies are rapidly becoming commodities. Unfortunately, they cannot afford to wait for digital TV – hence their desire to fill the gap. Margins in consumer electronics are falling worldwide. Most manufacturers are trying to cut costs, but they cannot hang on to efficiency gains in a competitive market. Companies such as Philips with high labour costs and weak balance sheets are poorly placed to compete. A little EC graft will not solve the problem.

France

Few French investors will be trudging into work this morning with red eyes and weary step having combed through the fine print of the new government's budget. Its main outlines had already been trailed, allowing the markets a more measured contemplation of their effect. The government was always going to face difficulties reconciling demands to reduce the projected FFr340bn budget deficit and to stimulate economic growth. The rise in indirect taxes on petrol and alcohol provided a touch of rigour in addressing the former problem. A modest spending programme offered some encouragement for the latter.

The bond market may appreciate this lack of drama. The equity market, though, may begin to worry more about the underlying economic situation. The government is now projecting a 0.4 per cent fall in market sector GDP in 1993, suggesting real damage to corporate earnings. Some support should be provided by new tax incentives designed to encourage investors to switch from money market funds into share savings plans ahead of the government's privatisation programme. Further cuts in interest rates would provide a more direct impulse. That, though, will depend on France's eastern neighbour.

Conservatives seek ways to restore popularity after election failures

Major prepares to reshuffle cabinet

By Ralph Atkins in London

MR JOHN MAJOR, the British prime minister, has signalled that he is prepared to respond to the slump in the government's popularity by reshuffling his cabinet in coming months.

Mr Major was warned yesterday by Sir Norman Fowler, Conservative party chairman, that he needed to restore his authority as party leader.

Later Sir Norman publicly ruled out a cabinet reshuffle within the next few days or weeks. But the prime minister's office did nothing to dispel a widespread expectation at Westminster that Mr Norman Lamont, the chancellor, will be moved in a July reshuffle.

Asked about the possibility of changes in the cabinet, a spokesman said the timing of any changes would not be affected by the party's disastrous performance in elections last week.

He said Mr Major was prepared to listen more to voters' concerns and was keen that all government policies, "are geared to strengthening and broadening the economic recovery". But Mr Major appears equally determined not to be forced into panic reversals of key government policies.


Under pressure: Norman Lamont leaves Downing Street yesterday

A handful of Conservative MPs were last night threatening to vote against the government during a parliamentary debate on the details of this year's budget, especially on the imposition of VAT on gas and electricity.

Sir Norman will use a speech to the Scottish Tory party conference tomorrow to urge the party to unite around areas of agreement – the economy, free enterprise and reform of industrial relations. Mr Major addresses the conference on Friday.

Cabinet will discuss on Thursday next year's legislative programme. It faces a long list of possible bills, many – such as on equalising male and female state retirement ages – highly controversial. A senior official said the priority now was a "sensible and popular" programme.

Mr Major wants a strong emphasis on tackling crime and increasing the competitiveness of British industry via a fresh deregulation initiative.

However, no clear consensus has emerged among ministers or backbench MPs about the best prescription for restoring party fortunes. An appeal yesterday by Mr Michael Heseltine, trade and industry secretary, for Conservatives "to keep your nerve" could not paper over divisions between left and right, and between pro and anti-European factions in the party.

The admission that Tories were in a "dreadful hole," by Mr Kenneth Clarke, home secretary, gave Tory MPs licence to voice publicly the depths of their anxiety.

Mr Lamont appears to accept his only option is to try and ride out the storm. He will stress the prospects for economic recovery when he addresses the Scottish conference tomorrow. A colleague of the chancellor said: "He has got so used to these crises, it is no different from normal."

Interest rate speculation sends sterling lower

By James Blitz in London

STERLING slipped sharply against both the D-Mark and the dollar yesterday as dealers took the view that the UK government might cut base rates again to try and improve its fortunes.

The pound closed 3 pfennigs down on the day at DM2.4625 and 4 cents lower at $1.5350.

Sterling was also a full percentage point below its Friday close when measured against its exchange rate index, which tracks sterling's value against a basket of currencies. It closed last night at 79.9.

Speculation that the UK might again ease monetary policy, thus stimulating the economy, helped the FT-SE 100 index of leading industrial shares to rise 36 points to close at 2,829.7.

Economic data showing a rise in consumer credit but only modest growth in producer prices also increased hopes for inflation-free expansion in the UK economy.

On the money markets, there was mild speculation that base rates could be cut by the autumn. Three-month sterling cash closed at 5⅞ per cent from a previous close of 5$\frac{15}{16}$ per cent.

PLO cuts participation in peace talks

By Roger Matthews in Washington

THE PALESTINE Liberation Organisation yesterday came close to suspending its role in Middle East peace negotiations in Washington, protesting at what it claimed were unfulfilled pledges by Israel.

A PLO spokesman in Tunis said the Palestinian negotiating team would be cut from 14 members to three. It would also suspend the work of three sub-committees. However, the PLO has stopped short of withdrawing from the peace process, launched in Madrid 18 months ago.

The Palestinian decision follows two weeks of growing frustration in Washington and worsening violence in the occupied territories.

Members of the negotiating team were bitterly disappointed by a new Israeli document issued last Thursday on ideas for an interim self-governing authority in the West Bank and Gaza Strip. They said it was little different from previous proposals, offered no real transfer of authority, and contradicted the whole basis of the peace process.

The Palestinians also claim Israel has reneged on a promise to speed the return of the nearly 400 men deported last December to southern Lebanon, and to improve conditions in the occupied territories. They add that Israeli troops have killed at least 18 Palestinians since the peace talks reconvened last month, while the economy is suffering because workers are banned from crossing into Israel.

The Palestinians had already halted work on the sub-committee dealing with human rights in the occupied territories, a decision described as "bizarre" by an Israeli spokesman in Washington. Work has now also been stopped on committees on self-government and the issues of land and water.

The talks involving Syria, Jordan and Lebanon are due to continue until Thursday when the ninth round is to end.

Reuter adds from Jerusalem: Israel's army radio said yesterday Mr Yitzhak Rabin, the prime minister, was planning to reshuffle his cabinet in order to defuse a coalition crisis. The radio said Mr Rabin had agreed to the ultra-religious Shas party's demand to move outspokenly secular left-wing Mrs Shulamit Aloni from the education ministry. She had accepted the communications and culture portfolio instead.

The crisis was triggered by the resignation submitted on Sunday by Rabbi Arye Deri, the Shas interior minister. He may now remain in his post.

World Weather

		°C	°F			°C	°F			°C	°F
				Boulogne	F	21	70	Frankfurt	F	24	75
				Brussels	S	23	73	Geneva	S	20	68
				Budapest	S	23	73	Gibraltar	F	22	72
Ajaccio	F	20	68	Buenos Aires	C	21	69	Glasgow	C	16	61
Algiers	F	23	73	Cairo	F	26	79	Helsinki	S	19	66
Amsterdam	S	22	72	Cape Town	S	21	70	Hong Kong	F	27	81
Athens	F	18	64	Caracas	C	31	88	Innsbruck	S	24	75
Bahrain	S	29	84	Casablanca †	F	21	70	Inverness	C	9	48
Bangkok	F	38	100	Chicago †	S	21	70	Islamabad	C	29	84
Barcelona	R	14	57	Cologne	S	22	72	Istanbul	F	14	57
Beijing	S	25	77	Copenhagen	S	21	70	Jakarta	R	32	90
Beirut	S	20	68	Corfu	F	21	70	Johannesburg	S	23	73
Belfast	R	14	57	Dallas †	S	13	55	Lisbon	F	20	68
Belgrade	S	20	68	Dublin	R	11	52	London	F	19	66
Berlin	S	23	73	Dubrovnik	S	24	75	Los Angeles †	S	17	63
Bermuda	F	21	70	Edinburgh	R	10	50	Luxembourg	S	21	70
Bombay	S	32	90	Faro	R	17	63	Madeira	C	17	63
Bordeaux	F	20	68	Florence	F	25	77	Madrid	C	18	64

		°C	°F			°C	°F			°C	°F
Majorca	S	21	70	Oporto	F	16	61	Tenerife	S	22	72
Malaga	F	22	72	Oslo	S	20	68	Tokyo	C	17	63
Malta	S	24	75	Paris	S	22	72	Toronto †	S	15	59
Manila	F	36	97	Prague	S	23	73	Tunis	S	28	82
Melbourne	S	17	63	Reykjavik	C	9	48	Valencia	F	22	72
Mexico City	C	25	77	Rhodes	F	19	66	Venice	S	24	75
Miami †	S	24	75	Rio d'Janeiro	F	31	88	Vienna	S	22	72
Milan	S	23	73	Rome	S	22	72	Warsaw	S	24	75
Montreal †	C	12	54	Salzburg	S	23	73	Washington †	S	18	64
Moscow	C	24	75	S'Francisco †	S	15	59	Zurich	S	21	70
Munich	F	23	73	Seoul	S	24	75				
Nairobi	S	25	77	Singapore	R	26	79				
Naples	S	22	72	Stockholm	S	19	66				
Nassau	C	28	82	Strasbourg	S	24	75				
New Delhi	T	30	86	Sydney	S	21	70				
New York †	S	17	63	Taipei	F	27	81				
Nice	S	21	70	Tangier	C	21	70				
Nicosia	S	20	68	Tel Aviv	S	23	73				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

 Tuesday May 11 1993

INSIDE

Marzotto disappoints with 8% sales fall

Marzotto, Italy's second-biggest clothing and textiles group which controls Germany's Hugo Boss, deflated expectations of export growth from the weak lira. Mr Pietro Marzotto, chairman, said adjusted first-quarter sales had fallen about 8 per cent. Page 18

Wienerberger falls 30%

Wienerberger, the fast-growing Austrian building materials group, suffered a decline in operating profit last year – its first in more than a decade. Operating profit fell 30 per cent to Sch626m ($56.48m). Page 18

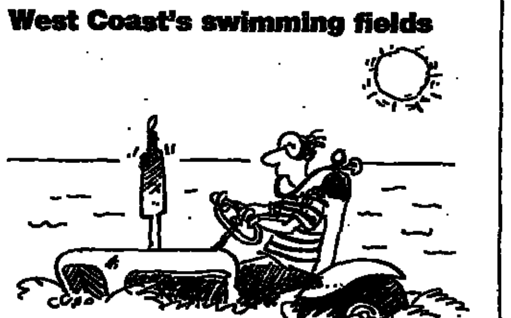
Ronson secures £4m deal

Mr Gerald Ronson, chairman and chief executive of Heron International, the UK property group finalising a £1.4bn ($2.15bn) refinancing which will save it from receivership, has agreed a £500,000 a year salary and a five-year contract with the group's creditors. The salary is index-linked and Mr Ronson will also get 75 per cent of his annual salary paid into his pension scheme. Without inflation, the deal is worth £4.375m over five years. It has also emerged that Heron helped Mr Ronson pay his £5m fine for his part in the Guinness affair.

Japanese housing loan rescue

Nomura Securities, Japan's leading securities house, and the Long Term Credit Bank of Japan are close to agreement on a Y40bn ($360m) bail-out of Daiichi Housing Loan, which they own jointly. Page 19

West Coast's swimming fields

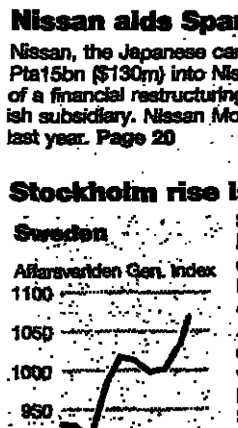


It is not uncommon for Californian farmers to apply four or five feet of water to their land in a season. Cheap water – and cheap Mexican labour – give Californian farmers an enormous economic advantages over their European cousins. Page 24

Nissan aids Spanish unit

Nissan, the Japanese carmaker, will inject up to Pta15bn ($130m) into Nissan Motor Iberica as part of a financial restructuring of its loss-making Spanish subsidiary. Nissan Motor Iberica lost Pta14.4bn last year. Page 20

Stockholm rise is checked



Stockholm lost momentum in late trading after gains on news of an agreement between industrial sector employers and unions. The Affärsvärlden index closed down 0.30 at 1,068.40, with some profit-taking following recent strong gains. Since the beginning of the year the index has risen some 15 per cent. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Schmalbach Lub	306	+	6.2	Bouygues	660	+	11
Falls				Soc Generale Fr	599	+	12
Badenwerk	390	–	10	Sommer-Allibert	1358	+	28
DLW	480	–	10	**Falls**			
Holzmann Ph	972	–	20	Eridania B-Say	716	–	11
Lahmeyer	585	–	17.5	Gal Lafayette	1590	–	20
Porsche	465	–	12	Roussel-Uclaf	526	–	10
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
AMR	68¾	+	1⅛	Daiichi Housing	408	+	60
Caterpillar	68⅝	+	1⅛	Sea-Com	400	+	50
Eastman Kodak	50⅝	+	1⅛	Shionogi	970	+	83
Johnson & Jhnsn	44	+	¾	Tokai Kanetsu	801	+	76
Microsoft	89⅝	+	2⅛	TYK	640	+	80
Philip Morris	52⅝	+	1⅛	Utoku Express	690	+	79

New York prices at 12.30pm.

LONDON (Pence)				Northumber	71	+	13
Rises				PE Intl	82	+	7
ASW	233	+	16	Ratners	40	+	8½
BAT Inds	880	+	17	Reed Tima	84	+	7
Brit Airways	285½	+	13½	Smith (WH) A	465	+	19
Chiltern Radio	66	+	6	Tadpole Tech	321	+	14
Danka Business	770	+	60	Tomkins	238	+	13
Fairway	63	+	8	Ward Hldgs	52	+	8
Hartstone	96	+	9	**Falls**			
Hunterprint	74	+	10	Acorn Comp	63	–	5
ICI	1284	+	41	Body Shop	195	–	8
Jessops	108	+	10	Excalibur	14½	–	5
Micro Focus	2360	+	110				
Microvitec	26½	+	5				

GPA may seek protection from its creditors

By Roland Rudd in London

GPA Group has established a working party to look at the implications of examination, the Irish equivalent to administration, if talks with bondholders prove unsuccessful.

GPA is understood to have lined up an examiner, although creditors could request an alternative examiner.

The troubled aircraft leasing company remains confident, however, that its meeting with bondholders on Thursday will lead to a moratorium on debt repayments giving it valuable breathing space to agree a deal with a "white knight".

The examination working party is one of five committees set up under the overall restructuring, named Project Rebound. The other committees have been set up to deal with bondholders, potential new investors, existing shareholders and the aircraft manufacturers.

Mr Patrick Blaney was recently appointed to the board as chief operating officer with responsibility for Project Rebound.

GPA hopes to secure a debt moratorium with bondholders, which hold more than than $2bn of unsecured debt, when it meets them in the US on Thursday. The meeting is being organised by Mr David Ying, director at Donaldson Lufkin & Jenrette, the New York brokerage house.

The bonds are currently trading at around 15 per cent of their face value, indicating that the market does not believe that they will be paid in full.

GPA has a temporary waiver of breaches on its banking covenants until May 17, when more than $50m of the bonds mature. A further $170m of bonds mature by the end of June.

The group's lenders will only allow payment of the bonds if the group succeeds in persuading new shareholders to inject up to $200m.

To this end the group is talking to GE Capital about the possibility of selling assets in exchange for warrants to subscribe for shares at a later date.

If the talks do not prove conclusive in the short term a debt-for-equity swap with the bondholders is seen as inevitable.

GPA is already considering one option whereby shareholders could see their holding in the company diluted to less than 5 per cent if bondholders swap all their debt for equity.

Bondholders, some of which are being advised by Lazard Frères, are likely to resist such attempts, although they may be willing to swap some of their debt for equity.

The company has been in informal discussions with bondholders for the past month. The talks are being led by Mr Mike Dolan, managing director of GPA Capital.

According to one of the group's principal lenders, examination is being carefully considered although it remains the least favourite option.

Examination gives a company court-ratified protection from its creditors for three weeks while an examiner or reporting accountant considers the options for its rescue. It then allows a further three months before formal proposals must be put forward.

The group would not have to pay interest on its debt obligations or repay any of the principal to secured or unsecured creditors if it was to go into examination. Some of the group's core lenders oppose such a move, fearing that creditors would be able to seize GPA's assets, mainly aircraft, registered outside Ireland. Most of the banks also remain pessimistic about the group's chances of negotiating a satisfactory deal with GE Capital.

Mr Jack Hersch, director of research at MJ Whitman, the Wall Street firm specialising in bank debt trading, said: "By negotiating with GE in a vacuum it narrows the options for the remaining participants in the restructuring."

Goldsmith sells 9.5% stake in Newmont

By Laurie Morse in Chicago

SIR JAMES Goldsmith, the Anglo-French financier, for the second time in a month has sold a substantial stake in Newmont Mining, North America's biggest gold mining group.

A consortium of Morgan Stanley International, Barclays de Zoete Wedd and Gordon Capital Corp has bought 9.5 per cent of Newmont, or 6.5m shares, and were offering them for sale at $45.50 each.

The group said the sellers were affiliated with Sir James and his close colleague Lord Rothschild's J Rothschild Group.

Morgan Stanley said that once the share sale was complete, DIA Holdings, which is affiliated with Sir James, would hold about 19 per cent of Newmont Mining, and Holdgold, a Rothschild affiliate, would hold 3 per cent.

Mr Gordon Parker, Newmont's president, and other Newmont officials could not be reached for comment. The offering was not registered with US regulators and was not open to US buyers.

On April 23 Sir James sold a 10 per cent stake in Newmont Mining at $39.50 a share to the US money manager, Mr George Soros.

Gold's price has risen by $33 a troy ounce since Sir James and Mr Soros publicised their deal but it eased back yesterday and closed in London at $356.75 a troy ounce, down $1.05.

Sir James acquired a 42 per cent stake in Newmont, then worth about $1.1bn by swapping timber assets with Hanson, the Anglo-American conglomerate.

Martin Dickson reports on a monopoly that wants to allow rivals to compete

Local giant gambles all to win US telecoms war

A MODEST-SIZED telephone service company in western New York state may be about to show the $90bn US local telecommunications industry the best route to prosperity in the next century. Or it could be heading for a bloody nose.

Rochester Telephone has set the US telecommunications industry a-buzz with a plan, announced in February, voluntarily to abandon its local monopoly around Rochester and allow rival telecommunications businesses to compete against it.

Rochester was the first of the monopolistic local US phone companies to propose such a course. And while a second company, the huge, Chicago-based Ameritech, has since weighed in with a competitive proposal of its own, the Rochester scheme is in several respects more radical.

"We're convinced we're looking at something which will be the model for how services are delivered in the industry in every company eventually," says Mr John Purcell, Rochester's corporate vice-president for planning.

At the very least Rochester has one of the most coherent strategies in an industry which often seems to be fumbling as it tries to come to terms with a fundamental change of environment.

The monopolies enjoyed by the local industry – which comprises seven so-called "Baby Bell" regional companies and a host of independents such as Rochester – are beginning to break down, thanks to the new technologies of high-capacity fibre optic cable and cellphones.

New competitors are starting to eat into the phone companies' most lucrative existing businesses, and threaten to take a large slice of promising new ones, such as interactive video to the home.

Rochester Telephone, which is quoted on the New York Stock Exchange, has a history of innovation. In 1970 it was the first US telecommunications group to allow consumers to own, rather than lease, their own phones. And it was the first local telecommunications company to set up its own long-distance business in 1984, when this was made possible by the court-ordered break-up of American Telephone & Telegraph.

The company realised that slow population growth in the Rochester area would not support its ambitious expansion plans. Hence its takeover of 37 local telephone companies in 15 states over the past six years.

It now wants the New York state commission, which oversees its affairs, to give it permission to divide its Rochester area telecommunications operations into two separate businesses, each with their own boards and balance sheets. Above them would sit a new holding company, responsible for the 37 out-of-state phone companies and Rochester's cellular radio interests.

One of the two, with the working name of R-Net, would take over the vast bulk of the Rochester area assets – the basic telecommunications transmission and switching network. It would become a wholesale seller of these services to other telecommunications companies, which would add value and retail the services on to the consumer.

The second Rochester company, dubbed R-Com, would be one of these competing retailers. It would take on Rochester operations that involve marketing, customer relations, voice mail, inside wire maintenance and yellow pages.

R-Net's prices would remain subject to regulation and it would have to sell its services to both R-Com and newcomers at the same price. The retail market, however, would be freed from price regulation.

Why destroy your own monopoly? The main reason is that competition is coming anyway. The city already has a so-called "competitive access provider" – a company that uses its own fibre optic circuits to cream off bulk business customers.

The provider is partly owned by the local cable television company, Time Warner, which is itself building a fibre optic backbone into its network that could ultimately be used for telecommunications traffic.

Rochester Telephone hopes that by taking the competitive initiative – and simultaneously getting rid of much of the regulatory restraints that accompany its monopoly position – it has a much greater chance of remaining in the driving seat of an industry which, says Mr Purcell, is changing at "warp speed".

"If we are right and we see the way the market is developing, and we get there first, we have a huge strategic advantage," he adds.

The precise form of restructuring proposed by Rochester could also work to its advantage. A stand-alone R-Net, offering one of the most advanced local networks in the US to all comers, might be able to deter potential rivals from building their own infrastructure.

The main dangers will be to R-Com, which seems bound to lose some of its market share to new retail rivals. The key questions are how much, whether this will be offset by a great expansion in the market as competition fosters demand for new services, and the effect of these forces on prices.

Rochester, like other regulated phone companies, is required to subsidise its residential services which are extremely cheap – $13 a month for a basic service with unlimited local calling.

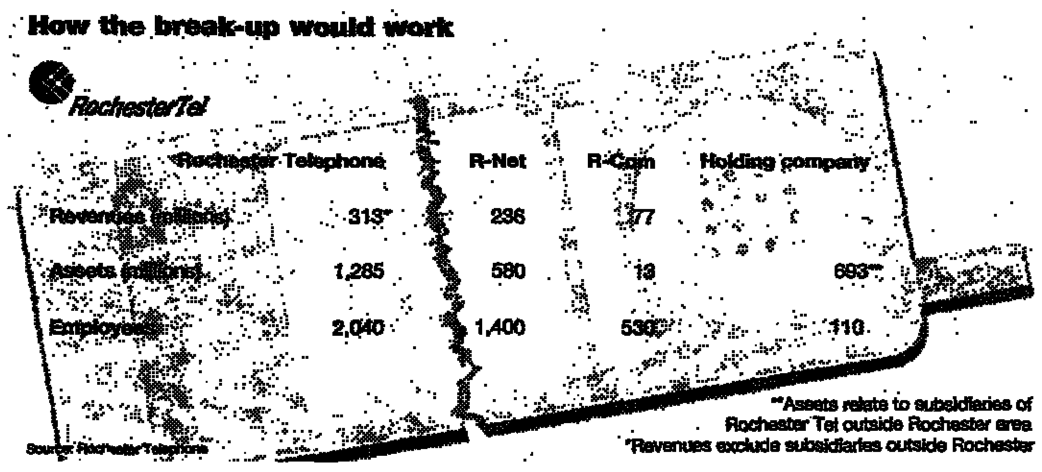
To win regulatory support for its plan, the company is proposing to keep its residential prices static until 1995, with inflation-based increases between then and 1998. Mr Purcell hopes that prices will rise after that.

The final advantage of the restructuring is that the new holding company might be able to move much more quickly to raise capital and launch takeovers – like a much more entrepreneurial business.

It is likely to be 1994 before the New York commission, traditionally in favour of competition, decides on Rochester's plan. As it weighs up the benefits to the consumer and company, a question bound to be asked is whether any other company will dare take on entrenched Rochester.

Mr Purcell dismisses the fear: "In the US telecommunications industry, for the past 20 years, every time there's been a window for entrepreneurs to buy wholesale and resell, they've jumped at the chance." Why should Rochester be any different?

How the break-up would work



**Assets relate to subsidiaries of Rochester Tel outside Rochester area
*Revenues exclude subsidiaries outside Rochester
Source: Rochester Telephone

Two rival gas groups sign deals to purchase Russian helium

By Andrew Baxter in London

TWO BIG rivals in the world industrial gases business, BOC Group of the UK and US-based Air Products & Chemicals, yesterday announced identical agreements to purchase helium from Russia and sell it mainly in western European markets.

The deals promise to raise the temperature in the European market for helium, which because of its cooling properties is critical to several new technologies such as magnetic resonance imaging, used in modern body scanners, and fibre optics.

No financial details were revealed, but parallel announcements from the two western companies said they could each purchase up to 100m cu ft a year of helium produced near Orenburg, 900 miles south-east of Moscow. BOC said the deal would increase its total helium supply by about 10 per cent.

The long-team deals could allow both companies to expand their presence in the 700m cu ft a year European helium market, which is growing at more than 6 per cent annually.

Worldwide demand for helium was growing at more than 10 per cent a year in the 1980s, but has now tailed off to about 4 per cent.

Helium comes from natural gas. However, not all natural gas contains helium, and the Orenburg plant is one of only nine helium sources worldwide. It currently produces only gaseous helium, but is being fitted with helium liquefaction equipment, enabling liquid helium to be delivered to the two western companies by early summer. The liquid helium is easier to transport.

BOC and Air Products stressed that, although they have technically signed a single agreement, they will be competing fiercely in European markets.

Air Products is the biggest seller of helium in Europe, and in some countries such as France BOC has very little presence.

But the UK company said there was "a fair chance that we will meet head-on in the UK".

The Russian parties to the agreement are S.E. Orenburggazprom, a division of Gazprom, the Russian state energy company; and Cryor, a Moscow-based private company.

The Orenburg plant produces nearly all Russia's helium. As part of the deal, however, the two western companies will also receive deliveries of liquid helium from the Joint Institute of Nuclear Research at Dubna and from the Kurchatov Institute near Moscow.

Hafnia files for bankruptcy

By Hilary Barnes in Copenhagen

HAFNIA Holding, which formerly controlled Denmark's second largest insurance group, yesterday filed for bankruptcy with debts of about DKr6.3bn ($1.03bn), making it the country's biggest bankruptcy by a wide margin.

The main creditors include Den Danske Bank, with a claim of DKr1.2bn, and Commerzbank of Germany with some DKr800m.

The Danish savings bank Bikuben, Sweden's Skandinaviska Enskilda Bank, and the Netherlands' ABN Ambro Bank are each owed about DKr600m, Denmark's Unibank and Copenhagen County are owned DKr450m and DKr240m respectively.

Hafnia Holding went into payments suspension in August last year. Its equity capital was eliminated by the fall in the value of the group's shareholdings in rival Danish insurer Baltica and Skandia, the Swedish insurance company.

Yesterday's decision to file for bankruptcy was taken by the committee of inspection appointed by the Bankruptcy Court last year. The committee concluded that there were no grounds for extending the payments suspension.

Mr Holger Lavesen, chairman of Hafnia Holding, said yesterday that one reason why the group could not be reconstructed was the poor international reputation which the Nordic insurance industry has gained as a result of the collapse of the two big Danish insurance groups, Hafnia and Baltica, and Uni Storebrand in Norway.

Hafnia has already sold most of its realisable assets, including its UK pension management company Prolific and its Danish insurance companies.

The latter were acquired in March by Codan, the Danish insurance company controlled by Sun Alliance of the UK.

Hafnia's remaining assets are a stake of just over 33 per cent in Baltica Holding and 13.8 per cent of Skandia. At the end of 1992 these shares had a value of about DKr2.5bn. The Baltica shares were acquired in 1990-91 in an attempt by Hafnia to gain control of Baltica, while the Skandia shares were acquired in late 1991 when Hafnia and Uni Storebrand launched an unsuccessful hostile bid for the Swedish company.

Wienerberger posts 30% fall in operating profits

By Ian Rodger in Zurich

WIENERBERGER, the fast growing Austrian building materials group, suffered a decline in operating profit last year – its first in more than a decade.

Operating profit fell 30 per cent to Sch626m ($56.48m) mainly because a ferro alloys subsidiary fell into loss. Net profit was 42 per cent lower at Sch378m. Group sales rose 11.4 per cent to Sch11.7bn.

Wienerberger shares, which have tumbled from a 1993 peak of over Sch3,500, closed down Sch8 at Sch2,865 in Vienna.

In spite of the setback, the group, in which Creditanstalt-Bankverein has a controlling interest, is paying a 34 per cent dividend, an effective increase of 26 per cent because of the prior issue of share dividends.

Mr Erhard Schaschl, chief executive, emphasised that the core building materials businesses continued to perform well and he forecast a profit recovery in the current year.

The group's main problem stemmed from its 51 per cent owned Treibacher Chemische Werke. Treibacher, acquired in 1989, makes ferro alloys for the steel and automotive industries. The slump in demand and margins in world markets caused "a dramatic deterioration of the results which could not be offset by rationalisation measures," the group said.

Treibacher fell from a profit of about Sch30m in 1991 to a loss of Sch169m last year. Mr Schaschl predicted it would return to profit this year as a result of cost cutting.

The property division also disappointed, with turnover down to Sch283m from Sch307m because of the postponement of the sale of a development in south Vienna.

Sales in the wall, ceiling and roofing systems division jumped 20 per cent Sch2.9bn while the piping and drainage systems business saw turnover rise more than 9 per cent to Sch2.45bn.

Tomkins cuts 1,500 RHM jobs

By Richard Gourlay in London

TOMKINS, the UK conglomerate which took over Ranks Hovis McDougall last year, has cut 1,500 jobs and set up a £90m ($138m) provision to integrate the milling, baking and grocery products group.

Giving the first glimpse of how integration was progressing, Mr Greg Hutchings, chief executive, said Ranks and the cut-throat bread baking market were exactly as Tomkins had anticipated.

He said Tomkins' preliminary results in the year to the end of May would be "in line with market expectations" and would continue a "record of above average earnings growth".

Tomkins' share price has underperformed the London market since January.

Last week it fell further amid fears that the group had underestimated the strength of the dominant bread producer, Associated British Foods, and the power of the large supermarket buyers.

Yesterday's announcement suggests there will be no early end to the baking market's overcapacity and low profitability.

Mr Hutchings said yesterday that not all the provisions were to be used to reorganise milling and baking.

He said that ABF and RHM would settle down to the current "relatively satisfactory situation" in which ABF had about 36 per cent of the bread market and RHM about 34 per cent.

"I think it will settle down to those sorts of market-share numbers for ever," Mr Hutchings said.

"If they lose money, we lose money; if they make money, we make money."

The markets should not get the milling and baking division out of proportion. "This is only 8 per cent of Tomkins," he said.

Mr Hutchings said the dividend for the year would be no less than 6.35p on the enlarged capital, an increase of over 21 per cent.

Tomkins share price rose 13p to 236p.

Details, Page 22; Lex, Page 16

Portuguese supermarket bid battle

A TAKEOVER bid by Jeronimo Martins, the Portuguese food retailer, for supermarket chain Ino-Supermercados has been contested by a minority shareholder in Ino, Reuter reports from Lisbon.

The objection raised by a 19.9 per cent shareholder has led the Portuguese Stock Exchange Commission to suspend trading in Ino shares on the Lisbon and Oporto stock exchanges.

Jeronimo Martins owns 51 per cent of Ino indirectly through its wholly-owned subsidiary, Inovacao.

Jeronimo Martins, partly-owned by Booker of the UK and Ahold of the Netherlands, operates 40 Pingo Doce supermarkets and the cash-and-carry chain Recheio.

Acquisition of Ino would give Jeronimo Martins a further 53 Ino supermarkets, seven cash-and-carry stores and three Feira Nova hypermarkets, making it one of the country's top three supermarket chains.

Portugal's Es3,500bn ($23.82bn) retail food industry is currently dominated by Sonae Investimentos-SGPS, running the Modelo supermarket and Continente hypermarket chain, and Super Companhia Portuguesa de Supermercados, which owns the Pao de Acucar supermarkets and Jumbo hypermarkets.

Terms for Celsius flotation revealed

By Christopher Brown-Humes in Stockholm

A VALUE of SKr2.9bn ($396m) was yesterday put on Celsius Industries, Sweden's leading defence group, when the government unveiled terms for the company's privatisation.

It means the state will raise nearly SKr2.2bn from the sale of 75 per cent of the company, making this the largest Swedish privatisation to date. Last year, the government raised SKr2.1bn through an offer of shares in SSAB, the steel group.

A total of 21m shares is being offered, with institutions paying SKr106 per share and the Swedish general public and employees SKr100.

Around 21 per cent of the company will be owned by four Swedish financial institutions, while 43 per cent will be offered to domestic and foreign investors, Celsius employees and the general public.

The remaining 11 per cent will be owned by Nobel Industries, which gained its stake in exchange for the sale of its defence electronics activities to Celsius for SKr1.55bn in February.

Celsius says it will pay a dividend of SKr5 per share if 1993 profits reach last year's level of SKr545m – its minimum forecast for this year.

There is no formal allocation for international investors, although shares are being marketed overseas by four institutions – Banque Indosuez, Alfred Berg Fondkommission, Enskilda Securities and Kleinwort Benson.

At least 6.5m shares (23.2 per cent of the total) will be available to domestic and foreign institutions, although this could rise if the take-up by employees and the general public is less than 5.5m shares (19.6 per cent). The offer will run from May 17 to June 4.

The government believes Celsius will be able to take a more active part in the broader restructuring of the European defence industry if it is in private hands and has access to external risk capital.

Marzotto 8% sales fall disappoints

By Haig Simonian in Milan

MARZOTTO, Italy's second-biggest clothing and textiles group which controls Germany's Hugo Boss, yesterday deflated expectations of soaring exports on the back of lira weakness.

Mr Pietro Marzotto, chairman, said first-quarter sales in 1993, adjusted for currency movements, had fallen by about 8 per cent. Unadjusted turnover rose by 4.7 per cent to L601bn ($411m).

The fact that volumes have fallen at a leading exporter in one of Italy's most competitive sectors will disappoint analysts forecasting an export-led boom in corporate earnings this year.

Mr Marzotto said demand for textiles and clothing remained depressed. Although first-quarter group sales had been swollen by the lower lira, notably against the D-Mark – swelling Hugo Boss revenues in lira terms – market conditions remained "very difficult". In D-Mark terms, Hugo Boss sales had fallen by 2.7 per cent, he said.

Pietro Marzotto: demand for products remained depressed

The gloomy outlook came against virtually static group earnings for Marzotto in 1992, the first year in which Hugo Boss has been fully consolidated. Net profits were L40.1bn against L39.8bn, while group sales, swollen by the acquisition, jumped to L1,952bn from L1,280bn. Adjusted for acquisitions and disposals, sales fell 2.4 per cent last year. Mr Marzotto gave no earnings forecasts for 1993, but said sales should approach L2,000bn.

Parent-company results differed markedly, reflecting the full impact of financing charges for the takeover and write-downs on the Hugo Boss stake.

The parent company lost L44.7bn, compared with net profits of L25.2bn in 1991. Interest payments rose L12bn to L39.4bn, while a L79bn write-down was made on the Hugo Boss stake. However, Marzotto is maintaining its dividend at L280 per ordinary share.

Mr Marzotto defended the Boss takeover, which has greatly broadened the group's international exposure and reduced its dependence on textiles and threads. After the purchase, clothing accounted for almost 66 per cent of Marzotto sales, compared with 47.6 per cent in 1991.

The group, which bought 63.8 per cent of Boss's ordinary shares in late 1991, and has an option on a further 13.8 per cent, has been increasing its stake by buying further Boss shares.

Marzotto's stake in Boss's total share capital rose to 41 per cent at the end of last year from 32.5 per cent and now stands at 43.3 per cent.

Générale des Eaux advances

By Alice Rawsthorn in Paris

GENERALE des Eaux, one of France's largest industrial holding companies, saw net profits rise to FFr2.91bn ($545m) last year from FFr2.61bn in 1991 in spite of the slowdown in the French economy.

The group, which has extensive interests in water distribution, media and construction, said it hoped to achieve another increase in net profits this year, although it made no forecasts.

It stressed that it saw no sign of improvement in the general economic situation, nor did it expect one in the foreseeable future.

Générale mustered an overall increase in sales of 6.3 per cent to FFr143.4bn in 1992 from FFr135.3bn in 1991. Its international interests were affected by the franc's strength following the September currency crisis, with sales outside France rising modestly to FFr38.7bn from FFr36.5bn over the same period. On constant exchange rates it would have made sales of FFr40.3bn.

In spite of the chilly economic climate, Générale increased its investments to FFr13bn in 1992 from FFr11.5bn in 1991. It invested FFr3.5bn in its water interests, FFr2.8bn in energy and FFr1bn in property.

Operating profits rose by 6.9 per cent to FFr5.95bn last year from FFr5.56bn in 1991 when growth from water, energy and electricity interests compensated for a decline in profits from construction and public works.

Générale, like other French property groups, was badly affected by the downturn in the property market. It made a loss on its property interests last year, but managed to bring that division back into the black with the income from its estate agency activities.

Schering may form link with Hoechst

By Judy Dempsey in Berlin

SCHERING, the Berlin-based pharmaceuticals and agro-chemical group, yesterday confirmed it was holding talks with Hoechst aimed at merging the two companies' agro-chemicals operations.

A link with Hoechst, one of Germany's big three chemical groups, would give Schering access to a bigger market and help insulate its agro-chemical division from further losses.

The company, already in a rationalisation programme, said Hoechst had "priority" in the negotiations, adding that it had been seeking a partner for its agro-chemical division for some time.

However, Schering could not yet confirm the nature of the merger. "Maybe it might be in the form a joint venture. But it is too early to say. We have not yet signed a letter of intent. We don't know when the talks will end," a spokesman said.

Schering is keen to stem the overall decline in its sales. In the first quarter of this year, turnover in the agro-chemical division fell by 22 per cent. Total sales declined by 8 per cent over the same period a year ago.

Hoechst also recorded an overall decline in sales for the first quarter. Turnover fell by 5 per cent to DM11bn, and pre-tax earnings for the same period fell by 28 per cent to DM243m.

KOP increases rights issue on strong demand

By Christopher Brown-Humes

FINLAND'S leading commercial bank, Kansallis-Osake-Pankki (KOP), is increasing the size of its FM930m rights issue after receiving subscriptions for just over FM1bn ($186m).

The bank said yesterday it would issue a further 7.05m shares to three Finnish companies to raise an additional FM70.5m.

The total FM1bn capital increase strengthens the group's financial position considerably and raises its international capital adequacy ratio by more than 1 percentage point to over 9 per cent.

The bank plans to raise a further FM2bn in the domestic and international debt markets through a series of issues beginning in the autumn.

If these are successful and there is no further worsening in the Finnish economy, it is confident it can survive the Finnish banking crisis without direct state support.

KOP reported a FM3.7bn loss in 1992, but it expects its deficit this year to fall to FM2bn after the cut in Finnish interest rates and reduced credit losses.

Thyssen in group bid for Klöckner-Werke steel mill

By Ariane Genillard in Bonn

THYSSEN and Krupp-Hoesch, Germany's two largest steel-producers, said yesterday they will lead a consortium of European steelmakers to take over part of the steel operations of Klöckner-Werke, the embattled German steel group.

The consortium wants to acquire the cold rolling mill in Klöckner-Werke's steel plant in Bremen.

"We will study this offer as carefully as any other. Negotiations with foreign partners have been running for some time already," Klöckner-Werke said.

The proposal depends on the success of the debt relief plan under which Klöckner-Werke hopes to write off DM1.7bn of its DM2.4bn ($1.5bn) net debt.

The company's main creditors, including Deutsche Bank and other leading German banks, have already in principle agreed to the plan. A final meeting of creditors is scheduled for June 7.

But the debt relief scheme still depends on the approval of the European Commission which has a DM175m outstanding loan to the group. Last week, the EC said it will not push for the loan's full recovery pending a review of Klöckner-Werke's restructuring plans.

The EC wants to make sure that significant production cuts are made by Klöckner-Werke to support the Commission's overall plan to restructure the European steel industry.

Klöckner-Werke will present its restructuring deal to the EC on Wednesday. The company plans to cut its raw steel production by 20 per cent, with a blast furnace in Bremen set for closure.

But it may also have to consider reducing production of its hot rolling mill in Bremen to satisfy EC demands, industry analysts said.

Like the EC, Klöckner-Werke's competitors are eager to see significant production cuts made to relieve the overcapacity crisis plugging the European steel industry.

They also have an interest in the debt relief scheme going through to prevent Klöckner-Werke from going into outright bankruptcy. "A bankrupt steelmaker would be a danger because a competitor could buy it for nothing," a source in the German steel industry said.

Wall Street broker confirms job losses

By Patrick Harverson in New York

SMITH Barney Shearson, the US brokerage house created earlier this year, confirmed yesterday that it would shed between 1,200 and 1,500 jobs this year, mostly from the company's back office operations.

The lay-offs are part of a restructuring of the new company, created when Primerica, the diversified financial services group which owned Smith Barney Harris Upham, the Wall Street firm, bought American Express's Shearson brokerage unit for about $1bn.

The merger made the new entity the second largest securities brokerage house in the US, behind Merrill Lynch, long-time industry leader.

Smith Barney Shearson, which employs 26,500, said that some staff had been notified of planned redundancies, and that the gradual process of lay-offs would probably be completed by the end of this year.

The job cuts will come in the company's back office processing and clearing operations, as well as in the administration, personnel and human resources departments.

The roughly 11,000 stockbrokers who work for Smith Barney Shearson will not be affected by the workforce reductions. In some areas, such as capital markets, research and corporate finance, the firm is said to be hiring staff.

Daiichi Housing rescue package nears completion

By Charles Leadbeater in Tokyo

NOMURA Securities, Japan's leading securities house, and the Long Term Credit Bank of Japan are close to an agreement for a Y40bn ($360m) bail-out of Daiichi Housing Loan, their jointly-owned housing loan company which is burdened by mounting bad debts.

The deal is the second financial reconstruction among Japan's eight housing loan companies. These have been hit by the downturn in the property market and land prices since the late 1980s. Earlier this year, a group of banks agreed to bail out Nippon Housing Loan.

It is expected these two deals will lead to financial reconstruction plans for the other housing loan groups.

Nomura and the Long Term Credit Bank have spent weeks hammering out the agreement, after Nomura refused to accept the terms proposed by the bank.

The two companies both own 9 per cent of Daiichi Housing Loan, which was founded by the Long Term Credit Bank in 1975.

Under the agreement, the Long Term Credit Bank will reduce to zero the interest on its outstanding loans to Daiichi Housing Loan, worth about Y210bn. The foregone interest income will cost the bank about Y5.4bn a year.

Nomura, which has strong capital reserves, will pay Y20bn to buy collateral for housing loans which have since turned sour.

Both shareholders will each pay Y10bn for a new issue of Daiichi Housing's shares.

Nomura estimates that the Y30bn it will be contributing to the rescue will cost it about Y1.8bn a year.

It is not clear whether other lenders to Daiichi Housing, such as the Norinchukin agricultural bank and Sumitomo Trust Bank, have been asked to reduce the interest on their loans.

Hungary issue aimed at western investors

By Nicholas Denton in Budapest

HUNGARY'S corporate debt market was opened up further to foreign investors yesterday with the announcement of a new commercial paper issue.

Hunguard, the Hungarian float-glass maker owned by Guardian Industries of the US, has established a programme to issue commercial paper worth up to Ft1.5bn ($16.7m). It will be the first forint-denominated CP issue accessible to western institutional investors.

The notes, carrying the guarantee of the parent company and an A1 credit rating, are to be priced to yield just above Hungarian Treasury bills. The 180-day T-bills currently yield 16.5 per cent.

Credit Suisse First Boston, dealer and arranger of the issue, expects to place about a quarter of the paper internationally.

The opening of the CP market has been driven by interest from international institutions drawn to the relatively high yields on forint debt and sanguine about the risk of devaluation.

For its part, the National Bank of Hungary, the central bank, said it would permit foreign take-up now that forint interest rates were lower and the margin for disruptive speculative investment had narrowed.

However, the NBH said that it would continue to grant licences only on a case-by-case basis for the issue abroad of Hungarian corporate debt.

The market, officials said, was too thin to allow general liberalisation which would bring sudden capital movements.

Marriott files bond plan details

By Nikki Tait in New York

MARRIOTT Corporation, the large lodging and food services group, yesterday filed with the Securities and Exchange Commission details of its plan to exchange existing bonds for new high-yielding debt securities, common stock and cash.

If all bondholders participate fully in the exchange offer, $1.525bn of existing bonds would be retired.

The offer was agreed in principle with some of the group's bondholders in March.

Bondholders were upset by Marriott's plans to demerge its main operating interests – the lodging business and food services operations – which would leave behind Marriott's property assets and the bulk of the group's $3bn of debt.

Negotiations between Marriott and some of the larger US institutional bondholders resulted in the exchange offer plan.

However, a second group of unhappy bondholders – led by the UK's Prudential insurance group – continued to oppose the demerger plan, and so far has not agreed to the settlement offer.

Marriott, which intends to put the demerger plan to shareholders at the June 22 annual meeting, said the exchange offer required holders of 85 per cent of all relevant series of bonds and 51 per cent of each individual series to agree.

In the SEC filing, it said the new bonds would have interest rates 100 basis points higher and maturities extending about four years later than the present Marriott bonds.

Up to $70m of Marriott common stock and up to $104m of cash would be offered in the exchange.

TMM offers $200m paper in US market

By Sara Webb

TMM, the Mexican shipping group, has launched a $200m bond issue in the US domestic bond market, making it the first private-sector Latin American name to tap the Yankee bond market.

The 10-year deal was increased to $200m from $150m in response to strong investor demand.

The bonds carry a coupon of 9.25 per cent and were priced at 99.774 to yield 337 basis points over 10-year US Treasury bonds. Bear Stearns was lead manager, with Goldman Sachs the co-lead for the deal. The bonds are callable after five years.

TMM is Mexico's largest shipping company and operates ports and a trucking company.

It is rated BA2 by Moody's and B+ by S&P.

Canada halves stake in Cameco

By Bernard Simon in Toronto

THE Canadian government has halved its stake in Cameco Corporation, one of the world's biggest uranium producers, through a secondary issue of shares to the public.

A group of underwriters, led by Burns Fry and RBC Dominion Securities of Toronto, yesterday sold 5m Cameco shares to institutional and retail investors at C$20.50 a share. Before the sale, the shares were trading at C$21.25 on the Toronto stock exchange.

The bulk of the shares were sold in Canada, with European investors buying less than 10 per cent.

The sale lifts the public's stake in Cameco to 51.5 per cent from 41.9 per cent. The federal government now owns 19.2 per cent, with the remaining 38.9 per cent held by the province of Saskatchewan, where Cameco is based.

Both the federal and Saskatchewan governments aim to dispose of their entire stake by October 1995.

The response to the Cameco issue was relatively subdued compared with other share offerings by Canadian resource companies in the past few weeks. One of the underwriters said investors appeared to be holding back, with the uranium market weak and further parcels of Cameco stock expected to come on to the market over the next year or two.

In addition to its uranium mines in northern Saskatchewan and processing facilities in Ontario, Cameco is prospecting for gold and diamonds. The company earned C$8m (US$6.4m) last year on sales of C$305m. It produced 13.6m lbs of uranium concentrates.

Apple uses chip developed with IBM, Motorola

By Louise Kehoe in San Francisco

APPLE Computer is to use a microprocessor chip, co-developed with International Business Machines and Motorola, in a new generation of Macintosh personal computers.

Apple plans to incorporate the powerful Risc-based microprocessor into its line of PCs beginning in the first half of 1994.

At a software developers' conference yesterday, Apple demonstrated a prototype high-performance Macintosh computer incorporating the new microprocessor, called PowerPC, running standard Macintosh applications software without modification.

Apple announced the support of 11 software developers which are writing new versions of their applications for the PowerPC Macintosh.

Apple formed an alliance with IBM and Motorola to develop the PowerPC chip in October 1991.

Cambior sees rise in gold output

By Robert Gibbens in Montreal

CAMBIOR, the international gold producer, estimates its output will rise 75 per cent to 620,000 ounces this year, with its new Omai project in Guyana on stream.

Mr Louis Gignac, president, said gold would remain the Canadian group's top priority and estimated an average price of US$260 per ounce for the rest of 1993. The company would also, however, be diversifying into base metals.

Cambior, which is also a major producer of niobium, used in steel production, is spending C$17m (US$13.4m) on gold and base metals exploration this year, half in North America and half in Mexico and Chile.

First-quarter profit amounted to C$876,000 or 2 cents a share, down from C$3.9m or 13 cents a year earlier, on revenues of C$75m against C$44m.

Gold output rose 29 per cent to 107,000 ounces.

Mr Gignac said profits would revive in the rest of 1993 as operating costs declined and gold prices stabilised.

Canon cuts its profit forecast as yen rises

By Michiyo Nakamoto in Tokyo

CANON, the Japanese manufacturer of cameras and office equipment, warned that profits for the current year were expected to be less than half its earlier forecast.

The company blamed the appreciation of the yen, which has risen 11 per cent this year and hit export revenues. Exports account for nearly 80 per cent of the group's sales.

Canon revised its parent company pre-tax profits forecast for the year to December 1993 to Y38bn ($345m), from the Y77.5bn it expected in February. Sales have also been revised down, from Y1,100bn to Y1,060bn.

On a consolidated basis, Canon expects sales for the year to fall 3.5 per cent from its previous forecast of Y1,980bn to Y1,910bn.

Pre-tax profits are revised down 37 per cent from Y102bn to Y64bn.

The rise in the yen's value - from about Y125 to Y110 to the dollar – had reduced the company's expected revenues from exports by Y82bn, Canon said.

It plans to deal with the impact of the yen's appreciation through price increases, cost-cutting and by transferring a larger proportion of its manufacturing to its overseas bases, although it does not intend to increase manufacturing sites outside of Japan.

Sumitomo MI pays tax penalty

SUMITOMO Metal Industries said yesterday it had paid more than Y600m ($5.4m) in penalty taxes to the Osaka regional tax bureau after failing to report Y101bn in taxable income between 1990 and 1992, writes Charles Leadbeater in Tokyo.

The money involved was spent on community projects in localities around the company's plants. Sumitomo said it represented tax-free social spending.

Nissan straightens out its Spanish unit's battered balance sheet

Kevin Done examines the Japanese carmaker's plan to inject Ptas15bn in new capital

NISSAN, the Japanese carmaker, is to inject up to Ptas15bn ($130m) in new equity capital into Nissan Motor Iberica as part of a financial restructuring of its loss-making Spanish subsidiary.

The injection of an initial Ptas5bn will be announced this week, and the provision of a further Ptas5bn is expected by the end of the year.

According to Mr Kiyoshi Sekiguchi, Nissan Motor Iberica managing director, a third tranche of Ptas5bn may have to be injected by Nissan in 1994 to repair its majority-owned subsidiary's battered balance sheet, if the losses cannot be staunched this year.

Nissan Motor Iberica lost Ptas 14.4bn ($125m) last year, and it is understood the losses have deepened in the first quarter of this year.

Mr Juan Echevarría, Nissan Motor Iberica executive chairman, warned that the company did not expect to return to profit before 1995.

It has plunged into loss in the midst of an ambitious five-year, Ptas150bn investment programme aimed at doubling its capacity to around 165,000 vehicles a year by 1996.

The financial problems of Nissan Motor Iberica, two-thirds owned by Nissan Motor, could hardly have come at a worse time for the Japanese carmaker, whose finances are under heavy pressure because of falling sales in Japan.

In Europe, Nissan's operations in Spain have tended to be overshadowed by its activities in the UK, where it has invested more than £900m to establish its first European car plant – now able to produce around 300,000 cars a year.

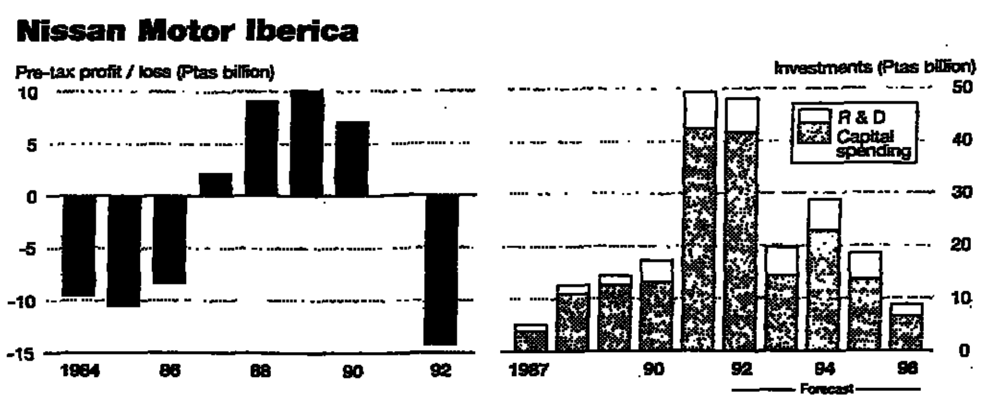
The investment in Spain is beginning to rival the spending in the UK, however, and the Nissan group workforce of around 8,000 in Spain, including 7,200 in the Nissan Motor Iberica parent company, exceeds Nissan's UK workforce of about 5,500, including 4,600 at the Sunderland plant.

Having completed the bulk of its investment in the UK car plant, Nissan is attempting to transform the Spanish operations from a maker of outdated commercial vehicles largely for the Spanish domestic market into a producer of niche passenger vehicles to be sold across Europe.

Since last year, it has launched two new ranges from its main Spanish plant in Barcelona, both aimed at the fastest-growing segments of the west European car market.

Last autumn it unveiled the Spanish-built Nissan Serena, a 7-8 seat multi-purpose vehicle (MPV) or "people carrier", targeted to challenge vehicles such as the pioneering Renault Espace.

Now it is launching the Terrano II, a four-wheel drive leisure/utility vehicle to compete across Europe with the Land Rover Discovery, Mitsubishi Shogun/Pajero and Opel/Vauxhall Frontera.



The Terrano II marks an important step in the development of Nissan's European operations and its integration into Europe's motor industry.

For the first time, a vehicle engineered by a Japanese carmaker and produced in Europe will also be supplied to a long-established vehicle maker in Europe, namely Ford, for sale through Ford's network.

Ford has made repeated public attacks on the build-up of the Japanese vehicle manufacturing presence in Europe, but it was prepared to turn to Nissan to buy in a vehicle for sale under the Ford badge to cover a gap in its product range.

The Nissan Terrano II will be marketed as the Ford Maverick with only minor cosmetic differences.

Nissan Motor Iberica is planning to build up to 60,000 a year of the four-wheel drive vehicle by 1995, of which 22,000 will be sold to Ford.

An important part of the design and development work on the Nissan Terrano II/Ford Maverick has been carried out by Nissan in Europe rather than in Japan.

Nissan's operations in Spain include not only vehicle assembly but metal-stamping and foundry, machining and assembly operations for engines, transmissions and axles.

Diesel engines and transmissions for both Serena and Terrano II are to be built in Spain, while the petrol engines for the Serena are supplied from Nissan's Sunderland plant.

Nissan Motor Iberica is planning to produce around 50,000 Serena vehicles by 1995, including a light commercial van variant to be launched next year.

It is aiming to raise vehicle output to 135,000 in 1995, of which around 80 per cent would be accounted for by the two new vehicle ranges. This compares with output last year of 76,895. Of this number, only 11 per cent was accounted for by the new vehicles – in the form of initial production of the Serena.

With output of both new vehicle ranges located in Europe, Nissan has stolen a march on most of its volume-car rivals both from Europe and from Japan.

In the market for MPVs, only the Renault Espace and the Chrysler Voyager have hitherto been produced in Europe. The range of European offerings is set to expand quickly by the mid-1990s, however, with new models promised by two joint ventures – Fiat with Peugeot and Volkswagen with Ford. Mercedes-Benz is also developing an MPV for production in Spain.

In the fast-growing four-wheel drive leisure/utility segment, four of the "big six" volume carmakers in Europe – Volkswagen, Fiat, Renault and Peugeot – are still missing from the market.

While Nissan Motor Iberica has invested ambitiously in developing new models, in modernisation of its plants and in reorganisation of its manufacturing operations and sales network, its profitability has come under heavy pressure.

The losses have been caused in particular by the rapid deterioration in the Spanish domestic market. Sales of both cars and commercial vehicles has fallen sharply and Nissan Motor Iberica's profitability in a previously protected home market is being undermined.

While the commercial vehicle market has contracted sharply, Nissan's own share of the market has fallen at an even faster rate. Its presence in the Spanish car market is growing strongly, albeit from a small base. But the market is shrinking alarmingly, with new car registrations in the first four months this year a third down on last year.

"Our main objective is to expand into Europe. We cannot just concentrate on the Spanish market; we must live off a bigger volume base," says Mr Sekiguchi. "But our export markets are very tough at the moment because of falling demand and, in the short-term, our exports do not compensate for the very sharp decline in the domestic market."

While the restructuring to be launched this week is aimed at shoring up the balance sheet in the short term, Nissan Motor Iberica is seeking a dramatic improvement in productivity in the medium-term.

By 1995-96, it aims to have doubled its unit output per employee. It plans to cut around 600 salaried staff in the next three years from its 7,200-strong workforce. At the same time, the number of production workers is supposed to remain unchanged, while vehicle output is planned to increase from 77,000 last year to 100,000 this year, to 120,000 in 1994 and 135,000 in 1995.

"We are planning to increase production with no increase in the workforce but only with productivity gains," insists Mr Sekiguchi.

China acts on treasury bonds backlog

By Deirdre Nickerson in Beijing

CHINA'S decision last week to halt new issues of debt and equities securities is a sign of how desperate the authorities are to clear an embarrassing backlog of unsold state treasury bonds.

The March 1 issue of Yn30bn ($5.2bn) was originally due to expire on April 30, but much to the chagrin of the Ministry of Finance, only Yn4bn worth of bonds had been sold by the original expiry date.

The low return rate – five and three-year bonds carry coupons of 11 and 10 per cent respectively – coupled with first-quarter inflation of 15.7 per cent make the bonds unattractive to the public who, it seems, would rather speculate in shares.

The Ministry of Finance has extended the expiry date in the hope that bonds will be sold, but prospects are not good. Trading prices have fallen below their face value at most trading centres. The bonds were issued two months early this year in the hope they would be sold before enterprise bonds flood the market later this year.

The freeze on new debt and equity issues comes as China is making headway in establishing a regulatory framework for its fledgling securities market and is preparing to do the same for its mushrooming futures markets.

New regulations issued last week by the state council, China's cabinet, were aimed at stiffening the country's stock market regulatory framework, pending the promulgation next year of a new national securities law.

The new rules cover nine aspects of stock market activity, including public offerings, general trading, corporate takeovers, continuous disclosure, investigation procedures and arbitration of disputes.

Last week's interim regulations are also aimed at facilitating the listing of Chinese companies on overseas exchanges. Nine state enterprises are seeking listing in Hong Kong.

Publication of the new regulations caused the Shanghai index to plummet because speculators were concerned at the effect stricter supervision would have on the market's fairly lax regulatory environment.

The China Securities Regulatory Commission said the new rules were aimed at regularising the activities of China's two stock markets: Shanghai and Shenzen in a Special Economic Zone, adjacent to Hong Kong.

Brambles shares plunge on poor estimate for half

By Bruce Jacques in Sydney

SHARES in Brambles Industries, the Australian transport group, fell yesterday to an 18-month low after a forecast of sharply lower second-half profits.

The shares fell 96 cents to A$12.98 (US$9.20), their lowest since November 1990, after directors said earnings for the half to June faced a marked fall. They cited recession in Europe as the main reason, but added full-year earnings should not fall more than 15 per cent on the earlier A$180.2m.

Singapore Technologies to float 25% of offshoot

By Kieran Cooke in Kuala Lumpur

SINGAPORE Technologies Industrial Corp (STIC) is to float an initial 170m shares on the local stock market, representing 25 per cent of its enlarged share capital.

STIC is part of the Singapore Technologies group, which started life in the 1960s as the industrial branch of Singapore's armed forces.

It is now involved in a variety of activities, including computer software, vehicle leasing, infrastructure projects and the operation of the Singapore mint.

STIC says it made a pre-tax profit of S$38.7m (US$24m) in calendar 1992.

The share offer will be made on the fixed price and tender system, with an offer price in the region of Singapore 85 cents per share.

Mr Wong Kok Siew, STIC's president, said the proceeds would help the group to expand overseas.

● Keppel, a Singapore conglomerate with a large stake in the island republic's shipyards, intends to list its subsidiary, Keppel Bank, on the local stock market. Keppel said details would be announced next month.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, May 10, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	64.6579	40.3045	57.8717
Albania	(Lek)	170.44	111.036	69.2142	99.3819
Algeria	(Dinar)	34.21	22.2866	13.8923	19.9475
Andorra	(Fr Fr)	8.2925	5.4022	3.3675	4.8352
	(Sp Peseta)	180.55	117.622	73.3197	105.277
Angola	(New Kwanza)	6284.33	4094.03	2552.01	3664.33
Antigua	(E Carr $)	4.1836	2.7254	1.6989	2.4394
Argentina	(Peso)	1.54345	1.0054	0.6267	0.8999
Aruba	(Florin)	2.77	1.8045	1.1248	1.6151
Australia	(Aus $)	2.2040	1.4358	0.895	1.2851
Austria	(Schilling)	17.315	11.2801	7.0314	10.0962
Azores	(Port Escudo)	228.90	149.121	92.9543	133.469
Bahamas	(Bahama $)	1.5350	1	0.6233	0.895
Bahrain	(Dinar)	0.58452	0.3807	0.2373	0.3408
Balearic Is	(Sp Peseta)	180.55	117.622	73.3197	105.277
Bangladesh	(Taka)	62.6264	40.7989	25.432	36.5168
Barbados	(Barb $)	3.12	2.0325	1.267	1.8192
Belgium	(Belg Fr)	50.80	33.0944	20.6294	29.6209
Belize	(B $)	3.099	2.0188	1.2584	1.8069
Benin	(CFA Fr)	414.625	270.114	168.376	241.764
Bermuda	(Bermudian $)	1.5350	1	0.6233	0.895
Bhutan	(Ngultrum)	48.438	31.5557	19.6702	28.2437
Bolivia	(Boliviano)	6.5079	4.2396	2.6428	3.7946
Botswana	(Pula)	3.6065	2.3495	1.4645	2.1029
Brazil	(Cruzeiro)	53745.70	35013.5	21825.7	31338.5
Brunei	(Brunei $)	2.4992	1.6281	1.0149	1.4572
Bulgaria	(Lev)	37.88	24.6775	15.3827	22.0874
Burkino Faso	(CFA Fr)	414.625	270.114	168.376	241.764
Burma	(Kyat)	9.4750	6.1726	3.8477	5.5247
Burundi	(Burundi Fr)	364.10	237.199	147.858	212.303
Cambodia	(Riel)	5423.25	3533.06	2202.34	3162.24
Cameroon	(CFA Fr)	414.625	270.114	168.376	241.764

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	13.1707	8.5802	5.3485	7.6797
Germany	(D-Mark)	2.4625	1.6042	1	1.4356
Ghana	(Cedi)	935.00	609.121	379.695	545.19
Gibraltar	(Gib £)	1.00	0.6514	0.406	0.583
Greece	(Drachma)	335.775	218.746	136.355	195.787
Greenland	(Danish Krone)	9.5250	6.2052	3.868	5.5539
Grenada	(E Carr $)	4.1836	2.7254	1.6989	2.4394
Guadaloupe	(Local Fr)	8.2925	5.4022	3.3675	4.8352
Guam	(US $)	1.5350	1	0.6233	0.895
Guatemala	(Quetzal)	8.5554	5.5735	3.4742	4.9885
Guinea	(Fr)	1258.64	819.951	511.123	733.901
Guinea-Bissau	(Peso)	7747.50	5047.23	3146.19	4517.49
Guyana	(Guyanese $)	195.237	127.19	79.284	113.841
Haiti	(Gourde)	18.594	12.1133	7.5508	10.8419
Honduras	(Lempira)	9.2737	6.0414	3.7659	5.4074
Hong Kong	(HK $)	11.9807	7.805	4.8652	6.9858
Hungary	(Forint)	134.775	87.8013	54.7309	78.586
Iceland	(Icelandic Krona)	97.0439	63.2207	39.4086	56.5853
India	(Indian Rupee)	48.438	31.5557	19.6702	28.2437
Indonesia	(Rupiah)	3257.05	2121.86	1322.66	1899.15
Iran	(Rial)	2592.0	1643	1052.59	1511.37
Iraq	(Iraqi Dinar)	0.5935	0.3866	0.241	0.346
Irish Rep	(Punt)	1.0150	0.6612	0.4121	0.5918
Israel	(Shekel)	4.25	2.7687	1.7258	2.4781
Italy	(Lira)	2270.25	1478.99	921.929	1323.76
Jamaica	(Jamaican $)	34.1975	22.2785	13.8873	19.9402
Japan	(Yen)	171.50	111.726	69.6446	100
Jordan	(Jordanian Dinar)	1.0583	0.6894	0.4297	0.617
Kenya	(Kenya Shilling)	91.4205u	59.5573	37.125	53.3064
Kiribati	(Australian $)	2.2040	1.4358	0.895	1.2851

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	41.2965	26.9032	16.7701	24.0795
Panama	(Balboa)	1.5350	1	0.6233	0.895
Papua New Guinea	(Kina)	1.497	0.9752	0.6079	0.8728
Paraguay	(Guarani)	2662.04	1734.23	1081.03	1552.21
Peru	(New Sol)	3.10	2.0195	1.2588	1.8075
Philippines	(Peso)	40.8371	26.6039	16.5836	23.8117
Pitcairn Is	(£ Sterling)	1.00	0.6514	0.406	0.583
	(NZ $)	2.8425	1.8517	1.1543	1.6574
Poland	(Zloty)	26136.00	17026.7	10613.6	15239.7
Portugal	(Escudo)	228.90	149.121	92.9543	133.469
Puerto Rico	(US $)	1.5350	1	0.6233	0.895
Qatar	(Riyal)	5.6511	3.6814	2.2948	3.2951
Reunion Is. de la	(F Fr)	8.2925	5.4022	3.3675	4.8352
Romania	(Leu)	970.38u	632.169	394.063	565.819
Rwanda	(Fr)	220.90	143.909	89.7055	128.805
St Christopher	(E Carr $)	4.1836	2.7254	1.6989	2.4394
St Helena	(£)	1.00	0.6514	0.406	0.583
St Lucia	(E Carr $)	4.1836	2.7254	1.6989	2.4394
St Pierre	(French Fr)	8.2925	5.4022	3.3675	4.8352
St Vincent	(E Carr $)	4.1836	2.7254	1.6989	2.4394
San Marino	(Italian Lira)	2270.25	1478.99	921.929	1323.76
Sao Tome	(Dobra)	371.88	242.267	151.017	216.84
Saudi Arabia	(Riyal)	5.8117	3.7861	2.36	3.3887
Senegal	(CFA Fr)	414.625	270.114	168.376	241.764
Seychelles	(Rupee)	7.8095	5.0876	3.1713	4.5536
Sierra Leone	(Leone)	836.73	545.101	339.789	487.889
Singapore	($)	2.4992	1.6281	1.0149	1.4572
Slovakia	(Koruna)	44.594c	29.0514	18.1092	26.0023
		43.171	28.1237	17.5309	25.172
Slovenia	(Tolar)	166.5983	108.532	67.6533	97.1406
Solomon Is	($)	4.927	3.2097	2.0008	2.8729

INTERNATIONAL CAPITAL MARKETS

Announcement of better-than-expected producer prices data prompts positive reaction

Long-dated UK gilts recover lost ground

By Jane Fuller in London and Patrick Harverson in New York

THE UK government bond market reacted positively to the news of better-than-expected producer prices at both input and output levels.

This was best reflected in the very long end of the market.

GOVERNMENT BONDS

The 8¾ per cent gilt due 2017 gained just over a quarter of a point, recovering some of the ground lost when the recent spate of good economic news created gloom in the most inflation-wary camps.

An additional £250m tranche of the 2017 stock, announced on Friday, was sold without difficulty by the Bank of England yesterday, along with £350m of 8 per cent gilts due 2003.

Market sentiment was helped by the demand exhibited for these issues.

Some resilience was also shown at the shorter end of the market.

The one area to sag was the middle range, where the next auction is expected, although the Bank of England has yet to make an announcement.

The 8½ per cent bond due 2007 was down by about ⅛.

While the market seems to have been little moved by the Conservatives' losses in last Thursday's elections, one economist commented that gilts might have responded more strongly to the good news on inflation without the political setback and the consequent weakening of the pound.

■ ELSEWHERE, excitement focused on Denmark, where the government bond market fell sharply in response to a narrowing of the gap between the "yes" and "no" camps ahead of the Maastricht referendum on May 18, according to recent opinion polls.

A weekend poll showed 46 per cent of Danes intending to vote "yes" with 34 per cent against.

Before last June's surprise "no" vote, the figures were similar.

If the Danes repeat that rejection, a speculative attack would be expected on the Danish krone, which weakened against the D-Mark yesterday.

The yield on the 10-year government bond rose to 7.76 per cent, compared with 7.6 per cent on Friday night.

The Spanish peseta is seen as the next most vulnerable currency and Spanish government bonds were also relatively poor performers on what was a generally quiet day for continental European markets.

Trade in French government bonds was on ice ahead of the mini-budget statement, which came too late in the day for the European markets.

There was little impetus in Germany. The next repo rate announcement is due tomorrow. However, only a thin slice is expected to be taken off the the 7.71 per cent level that was established last week.

One feature of the continental markets was that Dutch bonds continued to outperform German bunds.

With the guilder remaining strong, hopes are alive that interest rates can continue to be cut independently of German ones.

Dutch 10-year bonds were yielding 12 basis points less than the German equivalent, putting about 4 more basis points distance between them.

One economist said: "It's a bit like holding German stock without east Germany."

■ A SURGE in the Nikkei stock market index, pushing it over 21,000 for the first time since March last year, undermined Japanese government bonds.

The Nikkei was driven by the view that the Japanese economy would soon show signs of recovery.

Other negative factors for the bonds market were an abatement of the yen's rise against the dollar and the rise in US Treasury yields.

The yield on the benchmark No 145 bond due 2002 rose from 4.35 per cent to 4.43 per cent in Tokyo trading, and the futures contract fell from 108.27 to 108.00.

Both figures weakened a little further in London trading.

■ US TREASURY prices were unchanged in light trading yesterday morning as dealers and investors patiently awaited this week's injection of fresh supply.

By midday the benchmark 30-year government bond was unchanged at 103$\frac{18}{32}$, yielding 6.837 per cent. At the short end of the market, the two-year note was down $\frac{1}{32}$ at 100$\frac{5}{32}$ to yield 3.775 per cent.

In the absence of fresh economic news, the market's attention was focused firmly on the forthcoming quarterly refunding round.

Over the next four days the Treasury is due to sell $16bn in three-year notes (today), $10.75bn in 10-year notes (tomorrow), and $8.25bn in 30-year bonds (Thursday).

In addition, more than $38bn in three-month and six-month bills and cash management bills will also be sold this week.

With so much new supply in the pipeline, participants were reluctant to commit funds to the market.

FT FIXED INTEREST INDICES

	May 10	May 7	May 6	May 5	May 4	Year ago	High *	Low *
Govt.Secs (UK)	94.88	94.79	94.76	95.08	95.04	88.67	98.04	93.28
Fixed Interest	110.95	110.91	111.02	111.07	111.00	103.76	113.63	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.63 (8/5/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	May 7	May 6	May 5	May 4	April 30
Gilt Edged Bargains	111.6	78.1	113.1	110.9	103.8
5-Day average	103.7	103.7	114.4	113.6	112.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	113.9464	-0.162	7.52	7.54	7.60
BELGIUM		9.000	03/03	110.3500	-0.150	7.48	7.56	7.39
CANADA *		7.250	06/03	98.2000	-0.400	7.51	7.51	7.54
DENMARK		8.000	05/03	101.5500	-0.900	7.77	7.71	7.90
FRANCE	BTAN	8.000	05/98	105.2596	-0.008	6.72	6.79	6.92
	OAT	8.500	04/03	108.9700	-0.060	7.20	7.22	7.13
GERMANY		6.75	04/03	99.8650	-0.050	6.80	6.79	6.59
ITALY		11.500	08/03	95.9850	+0.145	12.58†	12.50	13.31
JAPAN	No 119	4.600	06/99	102.2971	-0.217	4.32	4.34	4.30
	No 145	5.500	03/02	106.6062	-1.776	4.46	4.36	4.33
NETHERLANDS		7.000	02/03	102.1800	+0.060	6.68	6.72	6.58
SPAIN		10.300	06/02	92.7933	+0.157	11.61	11.68	11.69
UK GILTS		7.250	03/98	100-22	+5/32	7.07	7.15	6.69
		8.000	06/03	99-19	+5/32	8.06	8.10	7.68
		9.000	10/08	104-24	+8/32	8.44	8.47	8.11
US TREASURY *		6.250	02/03	102-14	+8/32	5.91	5.97	6.12
		7.125	02/23	103-14	-16/32	6.85	6.89	6.89
ECU (French Govt)		8.000	04/03	101.9000	-0.450	7.72	7.63	7.50

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

Eurocommercial paper market shows decline

By Richard Waters

THE Eurocommercial paper market, once one of the fastest growing sectors of the international capital markets, went into reverse early last year, according to figures published yesterday.

The decline has been caused in part by a switch by corporate treasurers to longer-term borrowing, taking advantage of low long-term interest rates, and in part by a fall-off in the credit quality of issuers of short-term paper.

Overcapacity in the Eurocommercial paper (ECP) market has already led to the departure of several banks in the past four years, among them Merrill Lynch, Warburg and Salomon.

Continuing shrinkage is expected to lead to further withdrawals from a market which still has around 10 active dealers.

Figures from the Bank for International Settlements, published today, show that a net $7.4bn of ECP was repaid in the last nine months of 1992, cutting the amount of outstanding paper in the market by almost 10 per cent.

These repayments reversed a $7.7bn increase in the size of the market in the first quarter of that year.

The fall-off was prompted in part by a switch by borrowers further down the yield curve, and in part by a downgrading in the credit ratings of a number of issuers of short-term paper.

The downgradings of Italy and of Scandinavian banks last year had a particular effect on the market, said Mr John Ford, head of ECP at Citibank.

A ruling in France in March this year that Sicavs (money market funds) should hold no more than 10 per cent of their assets in Europaper and other unregulated investments has also stunted the demand for ECP from a group that had been among the most active investors in Europe, Mr Ford added.

Competition from a number of domestic commercial paper markets also drew borrowers away from the international market, but last year's move by the German authorities to open up the D-Mark commercial paper market to foreign issuers helped stem the decline of short-term paper, according to the BIS.

International Banking and Financial Market Developments, May 1993. BIS, Basle.

Republic of Finland taps Austrian schilling sector

By Sara Webb

THE REPUBLIC of Finland yesterday tapped the Austrian schilling sector of the Eurobond market with a Sch2bn, five-year deal – the biggest seen in that sector.

Creditanstalt Bankverein of Austria, lead manager for the deal, claimed that Finland was able to borrow on more aggressive terms in Austrian schillings than in the D-Mark sector.

INTERNATIONAL BONDS

The bonds, which have a coupon of 6⅝ per cent, were issued at 100.75 and reoffered at 99.325 to yield 7.04 per cent. This represents a yield spread of 39 basis points over the interpolated government bond.

The lead manager said that the deal would have some "scarcity value", given the absence of any government bonds in the five-year area.

Finland borrowed in Austrian schillings last year, launching an issue of 10-year bonds with a 8¾ per cent coupon which are now trading at a yield spread of about 40 basis points over the relevant government bond.

Other dealers who follow the Republic of Finland's borrowings in the international capital markets said that it was well ahead with its borrowing programme for 1993, having chosen a wide variety of currencies and maturities so far this year. Finland has an AA2/AA- credit rating.

"The feeling is that the worst is over for Finland – there's a greater measure of confidence from investors," said Mr Tim Skeet, senior vice-president of Kidder Peabody's syndication desk.

The Eurobond market was unusually quiet yesterday, with the only other substantial deal of the day a re-opening of an existing French franc issue.

The European Investment Bank has doubled the size of its recent 6⅞ per cent, five-year deal with a further FFr2bn of the bonds. The deal is being lead-managed by CCF.

The bonds were re-offered at the issue price of 99.54 to yield 10 basis points over the five-year government bond.

Some dealers suggested that the recent flood of Eurofranc deals may have run out of steam.

Rumours are circulating in the market that Sweden may be planning to tap the Euroyen sector with a fairly large five-year deal.

Meanwhile, in the Eurosterling sector some market experts have suggested that there might be good swap opportunities for borrowers, who would be able to borrow in fixed-rate sterling and then swap into floating-rate sterling to give attractive sub-Libor levels of funding.

However, investor demand for Eurosterling paper is seen as being weak at the moment.

● Credit Suisse, the large Swiss bank, had its triple A long-term debt rating and A1+ short-term rating reaffirmed yesterday by Standard & Poor's, the US rating agency.

S&P placed the ratings on creditwatch with negative implications in January.

In April, Moody's Investors Service downgraded the rating on the long-term deposits and guaranteed senior Eurodebt of Credit Suisse and Credit Suisse Financial Products to Aa2 from Aa1.

Doubts over EC investment law

By Richard Waters

THE way that European countries choose to implement European Community law on investment regulation could have an impact on the attractions of competing European financial centres, according to speakers at a conference in London yesterday organised by the Financial Times.

The Capital Adequacy Directive and the Investment Services Directive, the cornerstones of EC law on the investment markets, leave considerable scope for national discretion.

Commenting on the implementation of the ISD, Mr Bob Steel, head of equities at Goldman Sachs in London, said: "Upon the results of this process depend many strategic questions for investment firms." Mr Steel pointed to three concerns about the directive, which will give investment firms authorised in one EC state a passport to operate in all others.

First, there was still the possibility of new rules that would adversely affect the efficient operation of market intermediaries.

Second, ambiguities in the text meant that the directive could be interpreted in many different ways.

Third, the fact that the single passport for investment firms would be introduced three years after a similar passport for banks which are active in the securities markets would put investment firms at a disadvantage.

Mr Steel pointed to the compromise on market transparency that was struck in the directive, allowing member states to restrict the extent to which investors can use "off-exchange" markets. Hampering the use of such markets, which include London's Seaq International, could hinder the operation of financial markets, he warned.

Mr Peter Baring, chairman of Barings, also called for close attention to the implementation of the Capital Adequacy Directive in national law.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on May 10

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105⅞	106⅛		4.08
ALBERTA PROVINCE 9 3/8 95	600	110⅝	111¼		4.58
AUSTRIA 8 1/2 00	400	113⅞	114¼		5.82
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ARBED 7 1/2 95 LFr	600	98¾	99¾		8.13
ECSC 7 3/4 94 LFr	1000	100	101		7.72
WORLD BANK 8 98 LFr	1000	101⅞	102⅞		7.46
BANK VOOR NED GEM 7 5/8 02 Fl	1000	105	105½		6.89
[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	55	14	6
Other Fixed Interest	3	0	12
Commercial, Industrial	430	153	815
Financial & Property	231	58	509
Oil & Gas	28	6	50
Plantations	4	0	4
Mines	42	17	80
Others	75	12	37
Totals	868	260	1,515

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
25	F.P.	-	32	29	Bristol Aggregates	32	+1	-	-	-	-
70	F.P.	-	225	193	David Brown	225	+9	W6.0	2.4	3.3	18.0
100	F.P.	-	105	100	Fleming Emerg Mkts	105		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
175	Nil	4/6	24pm	18pm	AAF	20pm	-1
350	Nil	8/6	120pm	105pm	Atlas Cnvrtg Eqpmt	105pm	-5
63	Nil	13/5	27pm	12pm	Avesco	19pm	+1
58	Nil	3/6	7pm	5pm	‡Benson Crisps	5pm	-1
340	Nil	14/5	28pm	20pm	BS	21pm	-2
92	Nil	7/6	43pm	28pm	Headlam	43pm	+5½
185	Nil	7/6	24pm	11pm	Hunting	18pm	-1
290	Nil	10/6	55½pm	41pm	Meyer Intl	53pm	-1
2	Nil	3/6	¾pm	½pm	‡Millwall	½pm	
60	Nil	11/6	4pm	3pm	Newmark (Louis)	4pm	
32	Nil	24/6	7½pm	7pm	‡Severfield Reeve	7pm	
5	Nil	17/5	1¼pm	¼pm	Sycamore	¼pm	
47	Nil	16/6	8pm	6pm	UK Safety	8pm	
33	Nil	11/6	4pm	2pm	‡Ulmeco	2pm	
b285	Nil	3/6	40pm	25pm	Unidare	40pm	

b Figures based on prospectus estimates. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. ‡ Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Apr. 26
● Last Dealings May 7
● Last Declarations Jul. 29
● For settlement Aug. 9

3-month call rate indications are shown in Saturday editions.

Calls in Arcon, Avesco, Babcock, Caldwell Invs., Cannon St. Invs., Comac, Enterprise Computer, First Natl. Fin. Corp., Intrum Justitia, Lonrho, Lynx, Lucas Inds. warrants, Maddox, Ossory Ests., Pittencrieff, Proteus Intl. and Rothmans Intl. Double in Pittencrieff.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*561)	550	28	38	45	27	34	41
	600	9	19	27	63	68	74
[illegible]							

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*326)	300	28	52	62	2	19	32
	330	7	34	47	13	34	48
[illegible]							

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Eurotunnel (*410)	390	38	54	69	14	28	39
	420	20	39	54	32	44	53
[illegible]							

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

RHM's milling side in Tomkins' sights

By Richard Gourlay

MR GREG Hutchings, chief executive of Tomkins, yesterday gave the first details of how his Smith & Wesson handgun and bicycle conglomerate is to integrate Ranks Hovis McDougall, bought last year for £935m.

Most analysts believe that for RHM to be a successful acquisition Tomkins would need to turn around the marginally profitable milling and baking division, so it was not surprising most attention has alighted on this cut-throat market.

But for observers of the bread wars that periodically hit supermarkets and currently have suppliers in a tight grip, there were only crumbs of reassurance that some of the imbalance will be removed from the market.

"We have a pretty open mind about Tomkins but still need a bit of convincing that the milling and baking industry is going to turn around in the short run," said Mr David Lang, analyst at Henderson Crosthwaite.

Nevertheless, Tomkins has made a start and Mr Hutchings says British Bakeries' "capacity has (been brought) more into line with demand". Production is now "concentrated in the efficient bakeries."

British Bakeries has closed bakeries in Croydon and Exeter and a plant at Taffs Well in Wales. Capacity has been cut at Wimbush bakery in Birmingham and distribution depots at Liverpool and Preston have closed with Grimsby depot soon to follow.

"I do not think RHM have done a great job," Mr Hutchings says. "There is a huge amount of cost saving which we can do." He says he is not planning any price benefits – by increasing prices – but will be taking out capacity. In the five months since Tomkins took control, 7 per cent of RHM capacity had already gone.

There remains, however, the matter of the RHM challenge to ABF before Tomkins took over. "There is still a problem of relative market share before we can see any balance returning to the industry," said Mr Lang. "They have taken a lot of market share off the market leader (ABF) who is obviously intent on getting it back."

It is a view with which Mr Hutchings does not concur.

"I think it will settle down to those sorts of market-share numbers for ever." Mr Hutchings said. "If they lose money, we lose money; if they make money, we make money." Tomkins has also recognised the value of the brands it has taken over.

It said yesterday it would be increasing the brand advertising budget by £8m over the next 12 months, a move that has reassured some food analysts who suspected Tomkins would be tempted to milk the brands.

Elsewhere Tomkins says it has accelerated the search for savings, particularly in labour costs, at Rank Hovis, the flour milling business which has been hard hit the the poor breadmaking wheat harvest.

API planning third leg as profits advance by 46%

By Peter Pearse

API, the packaging group, yesterday announced a 46 per cent jump in pre-tax profits from £1.34m to £1.96m for the half year to April 3, on turnover 11 per cent higher at £22.8m.

Mr Michael Smith, group chief executive, also announced that the company would soon be adding – by acquisition – a third packaging leg to stand alongside the foils/laminates and converted film/paper products divisions.

Mr Smith said the advances were largely due to productivity increases and rises in market share, rather than to any upturn within the packaging industry in particular or the UK economy in general. He added that sales by volume had climbed 14 per cent but that there had been some price erosion after winning several large accounts.

Mr Smith said the prospective new leg would be higher-tech yet – since the year-end the group has strengthened its balance sheet by £1.2m to £2m net cash.

Of API's sales some 48 per cent are abroad – 15 per cent to the US, 27 per cent to Europe and 6 per cent to the Far East.

Foils and laminates lifted operating profits to £1.37m (£759,000) on turnover of £20m (£17.6m), while converted film and paper products made £1.14m (£900,000) on turnover of £11m (£9.82m). Mr Smith said that both divisions were still pursuing margins of 15 per cent; this time they were 6.8 (4.3) per cent and 10.4 (9.4) per cent respectively.

Again the blot was the heating and ventilating systems side which broke even (£200,000) on turnover of £1.78m (£2.28m).

The interim dividend is lifted to 3.35p (3.05p), covered 1.9 times by earnings of 6.4p (4.5p).

John Wood ahead at £18.5m

By James Buxton, Scottish Correspondent

JOHN WOOD Group, the privately-owned energy contracting company based in Aberdeen, continued to expand in 1992 but at a slower rate than in the previous year.

Sales were up 17 per cent at £203.6m and pre-tax profits ahead 10 per cent at £18.5m.

Mr Ian Wood, chairman, said that trading conditions had been more testing than in 1991, with slower expansion in the North Sea where exploration companies in particular were finding life more difficult.

"We needed to draw breath a little," said Mr Wood. In 1991 turnover rose 44 per cent from £120.8m to £173.8m, and pre-tax profits jumped 78 per cent from £9.5m to £16.9m.

The company, which claims to be the UK's largest indigenous oil and energy service company, is working closely with Shell Expro in the North Sea and last year won a five year contract worth about £150m overall from British Petroleum for design and engineering services to three North Sea fields.

The company won two large contracts for oilfield services in Kuwait where it employs 1,000 people, and invested £1.5m in workshops in the United Arab Emirates. In the US the group spent $15m (£9.7m) on two acquisitions in the oilfield services sector.

In the non-oil sector the group invested £3m in a repair facility for gas turbines at Aberdeen and won a five year repair and maintenance contract with National Power.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
API ....int	3.35	July 2	3.05	-	7.5
Donelon Tyson ....fin	1.2	Aug 27	1.2	1.2	1.2
Goldsmiths ....fin	0.3	Aug 31	0.3	0.3	1.8
Parkland Tex ....fin	1	July 9	1	2	2
Sidlaw ....int	4.25†	July 16	3.75	-	10
Sketchley ....fin	2	July 8	3	3	3

Dividends shown pence per share net except where otherwise stated. †On increased capital.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 11.05.93: Pool purchase price £/MWh	Final Prices for Trading on 10.04.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	23.88	18.09	18.08
0100	23.88	32.50	32.50
0130	23.88	34.00	37.88
0200	29.87	34.88	38.67
0230	29.87	39.04	42.84
0300	20.50	39.04	42.80
0330	19.50	25.00	26.00
0400	19.00	19.17	19.17
0430	18.80	19.17	19.17
0500	18.60	18.46	18.49
0530	18.60	18.09	18.09
0600	18.58	32.50	32.50
0630	18.72	32.50	32.50
0700	19.00	19.17	19.17
0730	26.66	25.15	28.50
0800	25.19	27.87	30.69
0830	26.71	27.24	30.49
0900	27.41	27.37	30.58
0930	28.62	30.33	33.65
1000	29.41	30.33	33.64
1030	29.43	27.37	30.56
1100	29.43	27.24	30.44
1130	27.52	27.37	30.58
1200	29.47	27.24	30.44
1230	29.43	27.37	30.56
1300	29.37	26.70	29.88
1330	28.88	27.37	30.50
1400	26.86	25.62	28.71
1430	25.70	25.30	28.38
1500	25.70	25.30	28.38
1530	25.70	25.62	28.70
1600	25.70	25.62	28.70
1630	30.67	25.62	28.71
1700	36.04	30.50	33.72
1730	38.04	30.50	33.69
1800	36.02	30.53	33.72
1830	25.69	25.62	28.72
1900	25.69	25.62	28.73
1930	25.16	24.81	27.69
2000	24.82	19.00	19.00
2030	24.61	25.62	28.71
2100	25.18	36.53	39.93
2130	35.00	36.53	39.90
2200	35.00	36.59	39.97
2230	25.18	25.00	28.10
2300	24.50	24.19	27.27
2330	24.22	24.19	27.30
2400	24.22	18.37	18.37

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.69/MWh becomes 1.669p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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Three companies are to raise funds for their expansion plans through flotations

PhoneLink for USM with £40m tag

By Alan Cane

FINDING THE metaphorical needle in a haystack must often seem easier than retrieving information from an on-line database. The search techniques used by most commercial operators leave a lot to be desired.

This suggests that PhoneLink, a three-year old computing services company based on Merseyside, should warrant the gratitude of information users when it floats on the Unlisted Securities Market.

PhoneLink has developed a novel method of finding stored information which promises hitherto unheard of speed and simplicity. It is already finding support in the database industry. Among the suppliers who have agreed to provide electronic information to run on PhoneLink's computers are the Automobile Association, British Rail, Ordnance Survey and the Royal Mail.

British Telecom will market its method of extracting telephone numbers from its database as a service called BT Teledirectory, at present on trial with some of BT's large users. IBM, the market leader in personal computers, has reached agreement in principle to build special terminals and to incorporate PhoneLink's software into its personal computers.

Some 25 per cent of the company is expected to be floated through a placing sponsored by Allied Provincial Securities. The aim is to raise about £12m to continue the development and marketing of key technologies. At the placing price, the company is expected to be capitalised at about £40m.

Trevor Burke and his wife Heather: their previous companies were sold to help launch PhoneLink

PhoneLink is the creation of Mr Trevor Burke and his wife Heather. Their previous companies, Technique, which marketed computer-aided design software for kitchen manufacturers and Profile UK, which supplied building industries with planning application details, were sold to help launch the new company.

Its business case lies in its claim to be able to do simply and cheaply what is at present difficult and expensive.

PhoneLink's method is called Tel-Me; it makes use of a swathe of technologies including artificial intelligence and parallel computing. Among its advantages, according to Mr Burke, is that costs per inquiry will be lower than other UK on-line information services. Typically, a complete enquiry, including connection time, should be processed within 15 seconds. The use of software predictive techniques may mean that the right answer is on the computer screen before the customer has finished typing in the enquiry.

The Burkes envisage customers using Tel-Me to retrieve information from a parcel of databases. A salesperson, for example, might investigate the most effective routes between calls, check on hotels in the area and look at news stories on prospective clients.

Division Group float becomes a reality

By Paul Taylor

BRISTOL-BASED Division Group has become the first company involved with virtual reality computer technology to float on the Stock Market.

Henry Cooke Lumsden, the Manchester broker, yesterday placed 15.4m of the shares at 40p each. The placing is equivalent to about 45.6 per cent of the capital and values the group at £13.5m. The shares are expected to begin trading on Monday.

Some 1.65m shares were sold on behalf of existing shareholders, who are retaining a substantial portion of their present holdings. The balance was sold by the group to raise about £5m net.

Division has developed a complete virtual reality system based on personal computers. In the year to March 31 1992 the group recorded a loss of £107,000 on turnover of £1.06m. In the five months to March 31 this year it made a pre-tax profit of £19,000 on turnover of £746,000.

The funds raised through the placing will be used to boost marketing and fund research and development.

Court Cavendish prepares for market debut

By Catherine Milton

COURT CAVENDISH, the UK nursing home operator, will today announce plans for a flotation by way of a public offer and placing, likely to value the company at between £40m and £50m.

Dr Chai Patel, Court Cavendish chairman, said: "The plan is to de-gear to nothing, but we hope to raise more than the £24.6m debt we are carrying. If we do not raise any new expansion capital, the market capitalisation would be between £35m and £40m."

The company is the fifth largest in its sector in a fragmented market, operating 1,202 beds in 24, mainly purpose built, homes. It plans to grow at 500 beds a year for the next three to five years through acquisitions and joint ventures with health and local authorities as well as increasing beds on existing sites.

A pathfinder prospectus for the UBS-arranged flotation, including full accounts for the year to April, is due next month. It is expected that half the shares will be placed with the rest offered to the public.

The market for nursing homes, which caters for about 10 per cent of people aged 75 or older, is in flux because of new government funding rules. However, the UK's ageing population means demand in the market should increase.

Court Cavendish is joining a growing sector of the stock market including Takare, Quality Care Homes, Associated Nursing Services and the most recent entrant, Westminster Health Care which floated in March. It has a higher proportion than its rivals – 60 per cent – of private or part-private clients.

The company began operating in late-1988 and expanded the following year with the £29m acquisition of 12 homes from Ladbroke, funded by venture capital and the Royal Bank of Scotland.

The initial gearing proved "difficult" and the group was re-financed in 1991.

Foster's Brewing Group, which holds 43 per cent in equity converted from £7.1m mezzanine debt, is expected to sell as is Ladbroke which has an 8 per cent equity stake.

Other venture capital backers – Kleinwort Benson, Grosvenor, Gartmore and Legal and General – are expected to remain on board. Management expects to hold between 5 and 10 per cent of the listed company.

Results have been affected by high interest charges since 1990. The company estimates making £54,000 pre-tax profit in the year to April compared with a £4.36m loss in the previous period.

However, it expects profits before interest of £2.67m after exceptional costs of £134,000 associated with the flotation (£1.5m losses, depressed by exceptional costs of £4.53m).

Turnover is estimated at £13.6m (£13.2m) giving an operating margin of 20.6 per cent (22.8 per cent), a little lower than rivals. The company said margins were not directly comparable year-on-year because the mix of owned, managed and leased homes fluctuated.

Banque Indosuez pays £8.8m for Sheppards

By Angus Foster in London and Alice Rawsthorn in Paris

BANQUE INDOSUEZ, the French investment bank, is expanding its UK interests by paying about £8.8m for Sheppards, one of London's oldest stockbrokers.

Indosuez has been in discussions since November with Sheppards' management and its 51 per cent shareholder Banque Arabe et Internationale d'Investissement, the Arab banking subsidiary of BNP.

Sheppards will be merged with the relevant areas of Indosuez's existing UK businesses, Carr Kitcat Aitken, an institutional investment firm, and WI Carr Investments, which specialises in private clients. That business will be renamed Carr Sheppards.

Mr Antoine Jeancourt-Galignani, chairman of Indosuez, said the acquisition formed part of the group's long term international expansion strategy and its plans to strengthen its private client business, where Sheppards is well-established.

He said the merger should yield "significant cost savings" particularly in administrative areas and in central overheads. About 40 to 50 staff, a third of Sheppards' total, are likely to be made redundant following the merger.

Indosuez, one of the largest subsidiaries of Suez, the French industrial and financial group, experienced a difficult time in the past year because of economic slowdown and the property slump in Paris. It saw net profits plummet 87 per cent to FFr101m (£12.2m) in 1992.

Mr Jeancourt-Galignani said there had been a "significant improvement" during the first quarter of this year. The group had come under pressure in France because of high interest rates and the slowdown, but had fared well in its international and private banking business.

Mr Fred Carr, chief executive of Carr Sheppards, said the merger brought together two of the oldest names in the City. WI Carr was founded in 1825 and Sheppards two years later. "It's one reason we felt we should keep the Sheppards name going on the private client side," he said.

Sheppards, with funds under management of about £1.6bn, is thought to have made profits of some £1m last year.

Excalibur talks aborted

SHARES OF Excalibur Group yesterday closed 5p down at 14½p following the announcement that discussions in relation to an approach for the jewellery maker, announced on April 20, had been terminated.

Dealers had speculated that Suter was the other party after it took an 11.2 per cent stake in Excalibur earlier this year.

IN BRIEF

BEMROSE CORPORATION has received acceptances in respect of 8m new ordinary shares, representing about 95.6 per cent of the total number offered by way of rights.

EIS GROUP has acquired the business and assets of William Klein of Esslingen, Germany, for £1.72m cash, including the repayment of loans, and the product repair service division of Airwork of Ferndown, Dorset, for £290,000 cash.

INTERCARE GROUP has acquired RTH, a Dutch manufacturer and distributor of wheelchairs and other mobility aids, for a maximum of Fl 8m (£2.88m).

MALAYA GROUP is to pay £1.18m cash for the freehold of a dealership site adjacent to the Bow flyover in east London. Malaya said it was in advanced talks with a number of vehicle manufacturers for the granting of franchises to Malaya at Bow.

MICROGEN HOLDINGS' Swedish subsidiary, Capella, is acquiring the electronic printing and computer output microfilm business of A/S EDB in Norway for NKr12m (£1.14m), of which NKr10m is payable in cash on completion. The balance, which is profit related, is due after 12 months. The book value of the assets being acquired is NKr800,000. Turnover of the business is about NKr80m.

SLOUGH ESTATES has received acceptances for its 3-for-10 rights issue in respect of 87.8m shares, representing about 87.1 per cent.

STORM GROUP has signed an two year development agreement with Dai Nippon Printing of Japan, making Dai Nippon the representative in Japan for the complete range of characters and properties owned and marketed by Storm.

Carclo poised to swoop for Arthur Lee in agreed bid

By Andrew Bolger

CARCLO Engineering Group is expected to announce the agreed takeover of Arthur Lee & Sons, the Sheffield-based manufacturer of steel and plastic products in which it already has a 29.9 per cent stake.

Shares in Arthur Lee were suspended yesterday lunchtime at 142p, valuing the group at £17.6m. A minute later, Carclo's shares were suspended at 223p, giving the Leeds-based company a market capitalisation of £93.4m.

Neither company or any of their advisers would comment. However, a full bid had been expected since Carclo raised its Arthur Lee stake to the present level in October by paying GM Firth, the engineering group, 80p per share for a 22 per cent stake.

Carclo, a card clothing, wire and engineering products group, has ridden out the worst of the recession, thanks partly to the timely disposal of its springs and forgings business for £21.6m to Hoesch, the German steel group, in 1991. Although Mr John Ewart, Carclo's chairman, described the Arthur Lee stake as a "trade investment", he also said last year that he was always on the lookout for acquisitions at the right price.

Carclo's pre-tax profits fell 30 per cent to £5.63m in the 12 months to March last year, but its interim pre-tax profits increased by 28 per cent in the six months to September and it was enjoying a stronger order book.

Fierce price competition and a decline in demand decreased Arthur Lee's pre-tax profits from £5.12m to £861,000 in 1991, but they recovered to £2.98m in the year to September 30. The group repaid nearly all its borrowings last year after selling its loss-making bright bar division and related steel stockholding company for £7.5m.

Arthur Lee shares dipped to 65p in August last year, but were chased up to their present level by the bid speculation.

Mr Peter Lee, chairman, said in January that Carclo's stake was "a worry" and "not of our choosing".

Tony Andrews

Sir Michael Bishop: stayed in profit in one of the most difficult periods seen in Civil Aviation

Airlines of Britain in black and strong start this year

By Richard Gourlay

AIRLINES OF Britain, the holding company for British Midland Airways, remained in the black last year despite a recession that has pushed some direct competitors in Europe into substantial losses.

Pre-tax profits fell from £2.1m to £834,000 in the year to end-December on sales which moved ahead 14.5 per cent at £392m.

However, Sir Michael Bishop, chairman, said the airline rebounded from a poor start last year to record a strong first quarter in 1993.

British Midland, the largest airline, made operating profits of £833,000 (£2.56m); losses at Loganair were reduced to £1.48m (£1.97m) while Manx Airlines saw profit decline to £87,000 (£1.6m).

"We have kept the business in the black in one of the most difficult periods I have seen in Civil Aviation," Sir Michael said.

The first half had been affected by passengers trading down from business class.

Passengers were now returning to the front of the aircraft, partly due to the introduction of the Diamond Euro-class.

After British Airways' takeover last autumn of Dan Air, passengers had also moved back to Heathrow from Gatwick, leading to a strong last quarter, Sir Michael said.

Mr Austin Reid, managing director of British Midland, said that despite recession the group had not lost sight of its strategic target of expanding the international side of the business.

International sales had grown from 15 per cent five years ago to 50 per cent today.

Mr Reid said British Midland had regained some market share on the Belfast and Glasgow routes after British Airways last month reduced the frequency in its flights.

The increase in frequency in 1991 had been an attempt to "marginalise us", said Mr Reid.

Shares gain 5p as company notes signs of improvement in the economy

Cleaning side behind fall at Sketchley

By Angus Foster

SKETCHLEY, the cleaning and textile rental company, yesterday confirmed that profits fell last year and said it has started a "massive discounting campaign" to try to lift turnover at its 465 dry cleaning stores.

Pre-tax profits fell from £6.02m to £3.11m in the year to April 2 due to recession. The fall, which included exceptional costs of £1.65m, was expected. Last month Sketchley warned that second half trading in its dry cleaning division had been poor. At the interim stage the company reported flat profits of £3.1m.

Sketchley's shares gained 5p to 97p after Mr David Davies, chairman, noted signs of improvement in the economy. "Any sustained recovery will be felt relatively speedily by our divisions," he said.

Turnover fell to £104m (£107m). Operating profits dropped sharply from £8.64m to £5.83m, mainly because the dry cleaning division turned from a trading profit of £1.76m to a loss of £198,000. The company said the division returned to profit last month. The discounting campaign, which meant price cuts of 30 per cent or more, had started well, according to Mr John Richardson, joint deputy chairman.

The textile services division was helped by winning new contracts and made operating profits of £5.43m (£5.53m).

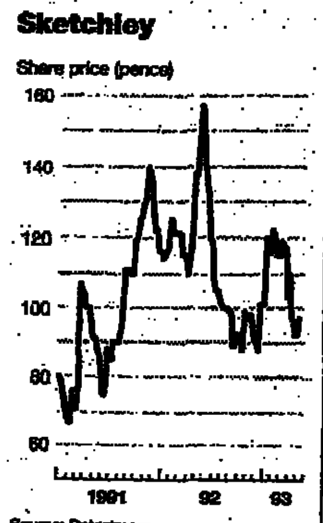
Interest costs fell to £1.07m (£2.62m). The company continued to repay borrowings, which fell to £6.92m (£11.9m), and gearing dropped from 31 per cent to 18 per cent.

The exceptional charge stemmed from a provision on an interest rate swap agreement which was entered into in 1989, before the present management took charge.

Earnings fell from 7.8p to 4.9p, or 6.6p without the exceptional. The company is recommending a maintained final dividend of 2p to make an unchanged total of 3p.

Tony Andrews

John Richardson (left) and Tony Bloom, joint deputy chairmen



Source: Datastream

● **COMMENT**

Three years after saving Sketchley, Mr Richardson and his fellow deputy chairman, Mr Tony Bloom, show a new determination, and perhaps impatience, to get the business moving. Price cutting, set to continue to the year end, is a calculated risk which needs large volume increases or margins will suffer. Meanwhile the two men are still looking for acquisitions and said a £30m or upwards target would be suitable. Both are familiar with managing larger companies, and acquisitions are likely to stray from the textile services sector. The City, apparently, is supportive. Mr Richardson said his institutions are ready to back a large takeover, as long as it makes sense. Smaller shareholders will doubtless show similar circumspection, especially since it is likely to herald a rights issue. Profits this year of £6m put the shares on 14 times. Until the future is clearer, that rating is about right.

Clark rules out 'witch hunt' of directors

By Maggie Urry

C&J CLARK, whose shareholders narrowly defeated the proposal to sell to Berisford at a special meeting last Friday, said yesterday there would be "no witch hunt" of directors.

Seven of the 11 directors, including all the executives, had recommended shareholders to sell to Berisford.

Mr Walter Dickson, chairman of Clark, has gone on holiday to Barbados for two weeks. He said on Friday he would be "considering his position" following the vote. Some shareholders had attempted to oust Mr Dickson at a meeting last October, at which the board was given a mandate to seek a bidder for the group.

Speculation was that Mr Roger Pedder, a non-executive director who had neither recommended nor opposed the sale originally, but who came out against the deal on Friday, might become chairman if Mr Dickson left.

At the meeting a shareholder asked Mr Lance Clark, also a non-executive director, who was a leading opponent to the sale, if he would continue to support Mr Dickson as chairman if the resolution was defeated. He refused to give that assurance.

Berisford in black and reaffirms acquisition stance

By Maggie Urry

BERISFORD International yesterday reported a return to profits and pledged to continue its search for acquisitions despite being turned down last week as a suitor for C&J Clark, the shoe company.

Mr Alan Bowkett, chief executive, said the group was assessing four possible deals, mainly acquisitions of subsidiaries of larger companies.

Mr Bowkett said Berisford was "seeking friendly transactions" but then quipped "a hostile bid would be a piece of cake after this".

Berisford is understood to be considering claiming its costs, amounting to less than £1m, for the abortive £184m bid from Clark.

Mr John Sclater, chairman, said the property and agribusiness group would "continue to pursue with undiminished enthusiasm opportunities for our management team to develop a broadly based industrial holding company".

He said Berisford was disappointed not to have the chance "to effect the substantial improvement in performance that we believe we could have enabled Clark's to implement".

Berisford wished Clark well "in resolving the substantial issues facing them".

Berisford shares returned from suspension and closed unchanged at 128p.

The group reported a £400,000 pre-tax profit for the six months to end-March, compared to a loss of £57.4m which was after substantial provisions.

However, the outcome included a £2.1m gain on the sale of the stake in Hunter Saphir.

No new provisions were needed, Mr Sclater said, and the group "is now on a firm financial footing and ready to move forward again".

At the half year end, Berisford had net cash of £3.2m (debt £15m at the last year end). At its peak in 1990 debt was £1.2bn.

Turnover fell from £103.1m to £47.3m, although the fall in sales from continuing operations was from £87.4m.

The loss from continuing operations was £1.5m (£1.2m) as the agribusiness interests suffered a drop in cotton sales and the engineering subsidiary experienced a price squeeze from motor industry customers.

Earnings per share were 0.3p (losses of 58.3p restated for the 5-for-1 share consolidation and the use of FRS 3).

There is no interim dividend. Berisford last paid a dividend in respect of the year covering 1988-89.

Prowting loses £4.87m after land provisions

By Paul Taylor

THE NEED for further provisions against its land holdings pushed Prowting, the housebuilder, into pre-tax losses for the second consecutive year.

After a £4.93m (£22.4m) exceptional provision the group reported pre-tax losses of £4.87m in the year to February 28, compared to £17.7m, on turnover down by 4 per cent from £36.4m to £35m.

Mr Terry Roydon, chief executive, expressed confidence that this would be the last write-down and said "as 1993 progresses it is clear that the long, debilitating recession in our industry is coming to an end".

Losses per share were 7.9p (18.8p). As foreshadowed in November, the group is cutting the total dividend to 3.4p (5p) with a second interim dividend of 1.7p, which was paid in April before the Budget tax changes came into effect.

Before the exceptionals profits were £68,000, against £4.71m, reflecting higher interest charges of £4.03m (£3.82m) and lower-priced house sales. Mid-year net borrowings peaked at £42.4m before a debt reduction programme resulted in year-end net borrowings falling to £26.1m (£36.5m), for gearing of 48 per cent.

The number of units sold increased slightly from 273 to 290, but the average price fell from £103,000 to £88,000. House prices generally fell by about 8 per cent and there was a move towards first time buyers who made up 30 per cent of sales against 23 per cent in the previous year.

As a result gross profits fell to £6.78m (£12m). Administrative expenses were cut to £3.1m (£3.84m) leaving operating profits at £3.87m (£8.37m).

The land bank includes 5,056 plots with planning permission or zoned for residential use, equivalent to more than 15 years supply at current building rates. After taking account of the necessary write-downs the average book cost per plot was £11,600, down from £17,200 before the provisions of the last two years.

Commenting upon the outlook Mr Roydon said the recovery in house sales was patchy and confidence remained fragile.

However, he added: "Barring any new economic setbacks I am confident that sales volumes should show a significant upturn for the year as a whole compared with the depressed levels of the last few years."

Donelon Tyson halved at £1.6m

A SHARP setback in profits was experienced by Donelon Tyson, the construction group, over the 1992 year, with the outcome halved at £1.6m pre-tax, compared with £3.1m.

Turnover fell from £80.9m to £63.5m and there was an operating profit of £2.15m (£4.14m) after charging £491,000 (£542,000) interest relating to income producing property and crediting a contribution from claims against the Department of Transport of £720,000.

In addition £871,000 (£1.45m) was written off below the line, largely reflecting completion of the withdrawal from the industrial insulation contracting business.

A maintained 1.2p dividend is payable from earnings of 2.4p (4.6p) per share.

CLS contracts help Sidlaw maintain mid-term outcome

By Andrew Bolger

SIDLAW GROUP, the oil services, packaging and textiles combine, reported flat pre-tax profits of £4.6m in the six months to March 31, in spite of a jump in turnover from £45m to £71.5m.

Sales benefited from a new £22.7m marine services contract to charter and manage standby and supply vessels for BP and Conoco.

The deal did not contribute any profits, but it is an important part of the group's strategy of developing Contract Logistics Services contracts, which involve managing the supply chain to North Sea operators.

The group said it would try to achieve further cost savings for its customers and could rent out surplus deck space on the vessels.

Disregarding the new contract, oil services saw sales marginally ahead at £15.6m (£15.4m). Operating profits improved to £3.06m (£2.73m), on the back of a higher contribution from the CLS contracts.

Activity was affected by lower levels of drilling and hook-up support work, and by several weeks of bad weather. The division also absorbed start-up costs for Supplylink, a joint venture set up to offer CLS to the oil industry internationally.

On the packaging side the operating profits were flat at £2m on sales of £20.9m (£18m).

Falcon Packaging was integrated into the division, but recession continued to squeeze margins.

Operating profits from the Dundee-based textiles division declined from £451,000 to £298,000 on sales which rose marginally from £11.6m to £12.3m. While jute continued to fall, yarns used in the carpet industry consolidated progress made last year.

Mr Digby Morrow, chief executive, said: "The group's businesses have come through the recession intact and well positioned for growth as economic recovery gather momentum. One again, oil services has increased its profits and there are encouraging signs that business is picking up in packaging."

Earnings per share fell to 9.2p (9.5p) but the interim dividend is stepped up to 4.25p (3.75p).

Butte Mining plans to rebuild through litigation

By Kenneth Gooding, Mining Correspondent

DAMAGES CLAIMED by Butte Mining from former directors, advisers and investors now total about $1bn (£637m) reported Mr David Lloyd-Jacob, chairman. This compares with the company's market value of about £3.4m.

Mr Lloyd-Jacob said litigation in Montana would be "vigorously pursued and, in the opinion of the board, our prospects for significant recovery are good."

However, he said the cases are not expected to come to trial for some time. The UK Serious Fraud Office is also investigating the matters which form the subject of the company's US lawsuit with a view to possible criminal charges, he pointed out.

Butte's audited accounts for the year to June 30 will show write-offs, write-downs and losses attributable to shareholders totalling £10.5m, which sharply reduce but do not eliminate the company's net worth.

"Management intends to rebuild net worth in the next few years, primarily by litigation," said Mr Lloyd-Jacob.

Net assets are less than half of the called-up share capital and an extraordinary meeting will be called to consider how to deal with this. "Directors believe that the course of action already commenced and, in particular, the US litigation give the best opportunity for the company to recover its losses," he added.

Butte incurred a pre-tax loss of £336,000 (£52,000 profit) for the half year to December 31 on turnover down from £5.4m to £80,000. The loss was financed in part by asset sales.

NEWS DIGEST

Parkland reduces loss to £519,000

PARKLAND Textile cut its pre-tax loss from £2.17m to £519,000 in the year ended February 28, after exceptional charges of £286,000.

Withdrawal from garment manufacturing cost an extraordinary £1.04m, but allows the group to develop its more competitive activities of woollen spinning and worsted weaving, with strong emphasis on the dyeing of both yarn and fabric, said Mr Denis Greenwood, chairman.

The group also terminated its direct involvement in weaving fabric for the motor industry by selling its interest in Guilford Europe.

Turnover rose from £49.4m to £58.9m. Exports increased 58 per cent to £11.9m and represented over 20 per cent of total sales, against 15 per cent.

Mr Greenwood looked optimistically on plans for export growth to create a better balance in the business. Exchange rates would be crucial, he stressed.

In the yarn division Knoll Spinning experienced strong order books with significant increases in exports. Yorkshire Yarn Dyeing saw rises in volume throughput but pressure on prices and margins.

Fabric losses were eliminated with further improvement in the order book and margins in home and export markets.

Losses per share were 8p (19.9p). The final dividend is 1p for an unchanged total of 2p.

Select Appointments shows £2.5m deficit

Losses at Select Appointments (Holdings), the USM-quoted employment agency group, fell to £2.53m for the 12 months to December 31.

That compared with a loss, on an FRS 3 basis, of £1.8m for the previous nine month period.

Turnover from continuing operations amounted to £21.7m (£14.2m), of which £15.6m (£10.4m) was attributable to the UK and £6.15m (£3.82m) to Australasia.

There was a loss of £1.47m at the operating level, against £809,000. UK operations recorded a deficit of £1.48m (£700,000), while Australasia produced profits of £16,000 (losses of £109,000); interest payable amounted to £913,000 (£585,000) and exceptional losses £153,000 (£407,000).

Losses per share, on the enlarged capital following a refinancing in October 1991, amounted to 1.06p (26p).

Mr Anthony Martin, chairman, said that during the first quarter Select had seen a continued improvement in temporary business, but the permanent recruitment market remained depressed. Nonetheless, he said results for the first quarter were ahead of the comparable period of last year.

Goldsmiths back in black with £48,000

Goldsmiths Group, the specialist jewellery and watch retailer, returned to profit over the 12 months to February 27 with a modest £48,000 pre-tax.

The outcome compared with losses last time of £1.29m.

Profits at the trading level, however, expanded 92 per cent to £1.91m (£992,000). Interest charges were slightly reduced at £1.86m (£1.97m). Gearing was maintained at 108 per cent. The group has capped £12m of its debt at 6.5 per cent for two years. "This will allow us to concentrate on maximising trading profit" said Mr Jurek Piasecki, chairman.

Turnover edged up 6 per cent to £42.9m helped by a stable market over Christmas; the year saw eight branches closed and seven new outlets, including two relocations, opened.

Mr Piasecki said there had been a "distinct improvement" in sales since late last year. Sales in March and April were up 10 per cent overall and 8 per cent on a comparable basis.

A proposed single dividend of 0.8p is uncovered by earnings per share of 0.12p (losses of 6.09p). Last year's distribution totalled 1.8p, including a final of 0.3p.

Unigroup offshoot valued at £24m

Unigroup, the timber and building materials group, announced that the subscription price for flotation of its Malaysian subsidiary has been fixed at $1.90 to value it at $98m (£24m).

The subsidiary, Golden Pharos, will be offering 35 per cent of its capital to Malaysian institutional and private investors. Unigroup will retain 60 per cent, worth some £14m at the flotation price.

Mr Jerry Owen, chief executive of Unigroup, said the flotation provided both companies with valuable cash injections which will substantially reduce borrowings and strengthen the underlying value of the group.

Exceptionals leave Pex £908,000 in red

Pex, the knitted products manufacturer, reported pre-tax losses of £908,000 for the year to January 31 after exceptional reconstruction costs of £790,000.

Towards the end of the year the company, formerly known as Palma Group, liquidated subsidiaries, simplified the product range and wrote down property values. The result was to improve reserves by £600,000. After the year end, property was sold in Leicester for £1.4m which went towards reducing debt.

The previous company reported a pre-tax loss of £278,000 for the 12 months to January 31 1992.

Turnover for the period under review was £14.5m (£17.2m). Interest costs were £952,000 (£942,000) and losses per share were 3.66p (1.47p).

ICI Paints completes US deal

ICI Paints has completed a deal, announced on March 2, with Lilly Industries for the transfer of its US-based liquid industrial coatings business in exchange for an undisclosed cash sum and Lilly's coatings business.

The acquired business will broaden ICI's existing position in the North American can coatings sector, and continues ICI Paints' moves to focus resources on supporting its decorative, auto refinish and packaging coatings businesses worldwide.

JO Walker loss cut to £402,000

JO Walker, an importer of timber, wall boards and plywood, reduced its loss in 1992 from £467,000 to £402,000.

After a lower tax credit of £103,000 (£165,000) the net loss came out almost unchanged at £299,000 (£303,000), giving losses per share of 37.4p (37.8p).

Turnover was £12.2m (£13.87m).

Cons Venture buys 14.56% of Aberdeen

Consolidated Venture, an investment trust specialising in smaller listed companies on both sides of the Atlantic, has acquired a 14.56 per cent stake in Aberdeen Petroleum.

Aberdeen, which is fighting a hostile 17p per share bid by Pittencrieff, the Edinburgh-based oil explorer and mobile communications company, notified the Stock Exchange yesterday that the trust had acquired 7.5m of its shares on Friday. The price was not disclosed.

IBS raising £752,000 via share issue

By Paul Cheeseright, Midlands Correspondent

INTERNATIONAL Bioremediation Services, based in the West Midlands but incorporated in Switzerland, is seeking to raise £752,000 net on the UK capital market through an issue of shares which will be quoted in Vancouver.

The company, controlled by Mr Artur Haslimann, uses bacterial cultures to break down waste and treat polluted or contaminated land and equipment.

It has operating subsidiaries in the UK, France and the US.

Griffiths & Lamb, the stockbroker, is placing 2.02m shares at 47½p each. The Vancouver quotation is to be arranged through the reverse takeover of Hisway Resources, a shell company whose name will be changed to International Bioremediation Services.

After the issue and quotation, Mr Haslimann will hold over 60 per cent of the equity, but has immediate access only to 16 per cent. The rest of his holding will be held in escrow, its release to him dependent on meeting performance targets.

In the year to last October, IBS suffered a pre-tax loss of £131,000 but the offer prospectus forecasts pre-tax profits for the year ended May 1994 of £220,000 on turnover of £1m.

Funds raised from the issue will be used to bolster IBS's technical base, now dependent on Wolverhampton University, and expand its markets both through licensing agreements and joint ventures and direct sales of its products and expertise.

IBS plans eventually to float its US subsidiary on Nasdaq.

London metal traders 'can survive copper losses'

By Kenneth Gooding, Mining Correspondent

SEVERAL LONDON Metal Exchange trading houses suffered huge losses because of the sudden and steep collapse in copper's price. But suggestions that the LME faced a catastrophe similar to the 1985 collapse of its tin market were dismissed last night by traders and exchange officials.

"The market has had a great shock. A large number of players have had their fingers burned but they were people who could afford to have their fingers burned. There is no chance of anyone going out of business," said one trader.

Mr David King, the LME's chief executive, said the market was "deeper, more liquid and has many more checks and balances", than in 1985. The LME had joined a clearing house system since then and both the exchange and its members were operating under the "umbrella" of the UK Financial Services Act. "The market is more professional and the probability of anything like the tin collapse happening again is very remote."

The three-month price of copper dropped by nearly one quarter, from $2,200 a tonne to $1,710, in only five weeks.

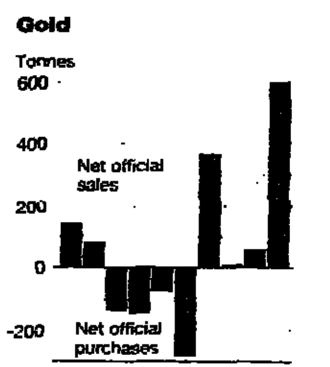
Traders suggested those who were badly exposed had granted options at 90 US cents to 95 cents a lb, mainly to North American copper producers. Last night three-month copper closed at 79.4 cents.

Mr Vivian Davies, chief executive of Brandeis, part of the Pechiney group, insisted that, while options contributed to the speed of the movement, copper's price had been fundamentally too high. "The main problem was the lack of liquidity. When volatility moves sharply it is inevitable, with everyone is trying to do the same thing at the same time, that the market dries up".

Chinese boost for gold demand

By Kenneth Gooding

THIEVES HAVE been throwing grenades and using automatic weapons during raids on Hong Kong jewellery stores to help satisfy China's sharply increasing appetite for gold. Stolen merchandise is swiftly transported to the mainland where the street price of gold, depending on the exchange rate used, is equivalent to US$550 to $600 a troy ounce, about $200 an ounce above the world market price.



This is one example provided by the Gold Fields Minerals Services consultancy organisation of the way unprecedented gold demand in China is extending well beyond its own borders. Jewellery producers in Malaysia, Hong Kong and Taiwan are working flat-out to keep pace with demand from Chinese wholesalers.

Mr Tim Green, GFMS's chief consultant, says jewellery shop raids have always been a fact of life in Hong Kong but the number of incidents and their ferocity have risen dramatically as local organised crime bosses have brought armed gangsters in from China.

In its latest annual gold survey, GFMS says China emerged last year as the world's largest consumer of the precious metal and private purchases exceeded 350 tonnes – or more than was produced at all the US gold mines.

It also suggests that China's central bank might have bought a substantial part – perhaps 250 tonnes – of the 400 tonnes of gold sold by the Netherlands central bank late in 1992.

"In a nation with over one fifth of the world's population, the phenomenon of gold purchasing, previously limited mainly to the southern provinces, has expanded northwards, taking in Shanghai and now Beijing, where consumers eagerly buy pieces of *chuk kam* (or "pure gold") jewellery, sometimes weighing up to 100 grammes each," the survey says.

"In late 1992 and early 1993, with growing fears about inflation, workers decided to spend rather than save their year-end bonuses, also to the benefit of jewellery consumption."

The survey warns that the present Chinese gold boom is similar to the one in 1988 at a time when inflation there reached 18 per cent, prompting widespread hoarding of consumer goods and a surge in gold buying. The situation was then brought under control by the authorities clamping down with a two-year austerity programme that caused a sharp drop in gold consumption.

However, "the degree of market liberalisation and devolution of economic control now make it unlikely that the authorities would repeat this policy," the survey suggests.

Apart from Chinese demand, hedging by gold producers and sales by central banks will be the important determinants of the gold price this year, says Mr Stewart Murray, GFMS chief executive. If supply from these two latter sources "proves not to be overwhelming, the prospects for sustained investment demand, and consequently a continued recovery in the price, will improve enormously".

GFMS is owned by Gold Fields of South Africa, Newmont Mining, the biggest North American gold producer, and Renison Goldfields, an Australian natural resources group. Other important points from the survey, widely considered to be the most authoritative in the industry, include:

- Total gold supply last year rose by 12 per cent from the 1991 level to 3,182 tonnes;
- This included a 3.7 per cent increase in newly-mined gold in the western world, to 1,841 tonnes. When the former eastern bloc is included, the increase was of 2.9 per cent to 2,217 tonnes;
- Central bank and other official sales were the highest since 1968, at 910 tonnes. But substantial purchases reduced the net supply from this source to 599 tonnes;
- Hedging by producers contributed a net 155 tonnes of accelerated supply;
- On the demand side, total fabrication demand rose by 11 per cent to 2,859 tonnes, and therefore exceeded the combined supply from western world mine production and old gold scrap by 583 tonnes.
- Jewellery fabrication remained the most important component of demand, rising 15 per cent to a record 2,461 tonnes and accounting for 86 per cent of all fabrication demand.
- Average western world gold production cash costs fell by 5 per cent to US$247 an ounce and total costs were down by 4 per cent to $300.

Gold 1993, £60 or US$95 from GFMS, Greencoat House, Francis Street, London, SW1P 1DH, UK.

Californian farm yields at high water mark

Unrestricted irrigation and cheap immigrant labour give growers a big advantage

WHEN BRITISH farmers discuss crop irrigation, they talk in terms of sprinkling inches of water per acre. Maximum applications, even in a dry summer, add up to the equivalent of about 6 inches of rain in a season, and that is only normally used on crops like vegetables and potatoes.

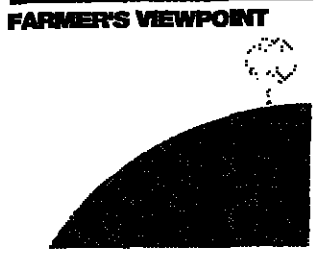
Californian farmers, whose agriculture I have been studying for the last few days, speak of "acre feet" of water. It is not uncommon for them to apply four or five feet of water to every acre of their land in a single season – eight to ten times as much water every year as UK farmers do occasionally.

That said, the combination of all this irrigation with the reliable, warm, dry climate enables Californian farmers to produce prodigious yields and quality from what is essentially an area of marginal farming land, in other words a desert.

Moreover, California claims to be by far the biggest producer of farm products of all American states, including Texas. The fact that water can be applied at will, whenever needed, means that the state can produce about 250 different farming commodities and, again in a US context, it is the most significant producer of 30 of them. It does most of that on just 8 per cent of the 40m hectares (100m acres) in the state, as only flat valley land is irrigated.

Furthermore, the state's propaganda says California exports almost $5m worth of its gross agricultural product of $20m. Each Californian farmer is said to feed 129 people, 97 in the US and 32 in other countries. There is little doubt that many feel it is their right and privilege to feed the world.

FARMER'S VIEWPOINT



By David Richardson

At least that is the way they are begining to feel again this year. A year ago they were still suffering from a drought that had lasted for 6 years and reduced production. The shortage of precipitation was not so much over California itself, because most of the state gets only a few inches of rain in a year. It was the lack of snow in the High Sierra and Rocky Mountains that was the main cause of the problem.

It is the melting snows from these peaks that is trapped by a series of enormous dams as it flows down the white water rivers each spring and is then distributed via a complex network of canals providing the water for much of the irrigation as well as for the fast-expanding cities on the west coast.

Last winter however, there were heavy snows in the mountains and significantly more rain than usual over much of California. For the first time since the mid-1980s many farmers are able to use as much water as they need for their crops and they have regained confidence that their extravagant ways can continue.

The predominant method of irrigation is by the flood system – pumping water from open ditches and furrows between the rows of crops until it soaks into the soil and reaches their roots. It is undoubtedly the cheapest and most primitive method of irrigation, dating back to biblical times. But it is also vulnerable to the greatest waste of water by evaporation in the hot sun.

A few farmers are using more economical sprinkler systems and some have installed even more efficient drip irrigation, most appropriate for fruit or nut orchards. But is is clear that most are buying their water cheaply enough not to feel they need to adopt more economical methods. Indeed it is well known that some still have a number of years to run on water leases for which prices were fixed nearly 40 years ago.

Meanwhile, those farmers not fortunate enough to be alongside one of the many canals that criss-cross the valleys and who have to pump their irrigation water from deep bore holes are reporting that they have had to double the depth of their wells over recent years to find sufficient supplies. And the deeper the well, the more the electricity or fuel oil is needed to pump water out of it. These are the people who are taking more care to conserve.

I confess that I had expected that pressure from environmentalists, which finds animated expression among many influential west coast residents not a million miles away from Hollywood, would have forced California's farmers to go greener. But in spite of publicity to that effect this does not seem to be the case.

Except for small but noticeable pockets, there appears to be little attempt by individual Californian farmers to address the environmental concerns of the urban population. The landscape across the productive valleys is almost devoid of vegetation save for massive crops of cotton, sugar beet, alfalfa and the like, and, as with so much of US (and European) society, the guiding rule seems to be: "If it's there, use it and let the future take care of itself".

I am bound to say that, given the urban expansion of California, which is as great each year as in many Third World countries, and the inevitable increased demands this will impose on water resources, I did not share the confidence of some of the farmers I met that all would be well for them in the future. And without virtually unlimited supplies of cheap water every year, most of them would be out of business.

The other benefit that Californian farmers currently enjoy is cheap labour. Apart from the farmers themselves few white people work on the land. Virtually all the labourers are Mexicans who have come across the Rio Grande in search of work.

Some of the workers are legal with proper work permits, especially since the US government announced an amnesty a few years ago to enable the illegals to become legal without penalty. But since then it is estimated that at least a further 2m illegal workers have come into the US and the authorities have bowed to the inevitable and turned a blind eye to most cases.

At least half of these new illegal immigrants are estimated to come to California for seasonal work, and although farmers claim to provide them with reasonable minimum wages and conditions, they concede there are far too many workers chasing too few jobs each year and employers would be saints if they paid more than they had to under those circumstances.

Whether this will change if and when the North American Free Trade Agreement is signed and Mexican workers are allowed even freer passage is unclear. Although it seems unlikely that they will be able to find a better or more convenient state in which to seek work than California.

It occurs to me, as I continue my tour, however, that these benefits of cheap, essentially subsidised water and cheap, partially illegal labour, are factors which are unlikely to be considered by the negotiators of any settlement in the General Agreement on Tariffs and Trade aiming to produce fair agricultural competition throughout the world. Yet yet these hidden subsidies will give Californian farmers an enormous economic advantages over their European cousins.

Brazilian crop disaster declared after heavy rain

By John Barham in Buenos Aires

HEAVY RAINFALL in the province of Buenos Aires over the last week has caused an estimated US$100m worth damage to farms, officials said yesterday. Buenos Aires province, which covers a large part of Argentina's fertile pampas plains, produces most of the country's wheat, soyabean and maize crops.

Mr Raul Sarachu, the provincial government's director of agricultural economics, said yesterday that about 30 per cent of the province's maize output and about 15 per cent of its soyabean production had been lost. He said rainfall had been excessive all this year: "It is an abnormal situation. We have had a year's rainfall in three or four months".

Earlier in the year, the south of Buenos Aires province suffered severe drought. Since then constant heavy rain has fallen mainly on the province's low-lying north-west and south-west regions, where drainage is insufficient.

Mr Sarachu, while warning that estimates were still unreliable said about 60 per cent of the total 5m to 6m hectares in the affected region were flooded]. The region produces 1.5m to 2m tonnes of maize a year, plus 800,000 to 900,000 tonnes of soyabeans and about 350,000 tonnes of sunflower seeds.

The provincial government has declared the area a disaster zone, allowing farmers to reschedule loans from the provincial government's bank, and given them a five month extension on tax payments. The farmers pay about $60m to $70m a year in local taxes.

Norway's crude output forecast to rise 20%

By Karen Fossli in Oslo

NORWAY'S CRUDE oil production could reach 3m barrels a day in 1996 or 1997, a 20 per cent rise over present levels, according to the energy and industry ministry.

The minority Labour government's long-term programme sees crude output peaking in 1996 at 2.5m barrels a day. Mr Gunnar Myrvang, state secretary of the ministry, said according to latest oil company reports, it seemed that level could be achieved by 1994.

"In view of this and because of the potential for improved oil recovery and prolonged plateau production from fields, I would, as an optimist, not be surprised if Norwegian oil production increased to 3m barrels per day in 1996-97," Mr Myrvang said.

Australian wool industry hopes for Russian deals

THE AUSTRALIAN wool industry should soon be able to announce a breakthrough in its attempts to restart the wool trade with Russia, Mr Mac Drysdale, chairman of the Australian Wool Corporation, said yesterday, reports Reuter from Sydney.

He told a news conference that negotiations over some projects aimed at lifting wool demand in Russia, as well as in Europe and Asia, should be finalised in the next few months.

"I think there will be a breakthrough in the Russian [market]. . . in the next few months," he said. "Whether it comes in the form of equity in Russian mills or whether it comes from some other enterprise. . . remains to be seen." There has been speculation that Australia could supply wool to Russia in return for equity in processing mills.

Mr Drysdale said the Australian Wool Realisation Commission, which is responsible for reducing the 3.96m-bale stockpile and the A$3.28bn (£1bn) debt, had been involved in negotiations over projects to boost wool demand. Some negotiations had been taking place for years.

"Some of the projects. . . will be finalised in the next few months," he said.

Options to restart trade with Russia could include barter deals and joint ventures, the AWC chairman said. "As well as getting wool into the [the former Soviet Union] we have to make sure the wool is consumed there."

Mr Drysdale said Australia's unofficial wool stockpile, resulting from farmers delaying selling wool in the hope that prices will pick up, could be as high as 180,000 bales.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD and other precious metals closed easier on the London bullion market, with the New York markets failing to provide any new impetus, dealers said. Gold fixed at $356.80 a troy ounce in the afternoon, 55 cents up on the morning fix as the market absorbed the Gold Fields Mineral Services survey showing record jewellery demand last year. Dealers said the market had definitely found a new base for itself with good support around $352. London's robusta **COFFEE** futures were unable to sustain early gains with roasters largely remaining sidelined except for a few enquiries for June and July shipment Brazilian supplies. Dealers noted there continued to be reasonable interest in options both in London and New York. Recent sharp price swings in both directions have increased trade interest in using the options market to hedge their physical supplies. On the LME three-month **ALUMINIUM** was again hindered by overhead resistance above $1,150 a tonne, with business mostly taking place below this level. However, news that March IPAI producer inventories were down by 27,000 tonnes helped to restrict the downward reaction.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(May)		+ or -
Dubai	$16.33-6.37u	+.025
Brent Blend (dated)	$18.98-9.00	-.030
Brent Blend (Jun)	$19.18-9.20	
W.T.I (1 pm est)	$20.48-0.52u	+.045
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$215-216	
Gas Oil	$182-184	+0.5
Heavy Fuel Oil	$76-77	-0.5
Naphtha	$186-188	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$357.75	-1.05
Silver (per troy oz)♣	427.5c	-8.0
Platinum (per troy oz)	$380.4	-4.6
Palladium (per troy oz)	$119.85	-1.15
Copper (US Producer)	86.0c	-0.5
Lead (US Producer)	34.83c	
Tin (Kuala Lumpur market)	14.18r	+0.05
Tin (New York)	258.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	138.70p	+0.68*
Sheep (live weight)†♠	133.42p	-3.35*
Pigs (live weight)†	90.65p	+1.27*
London daily sugar (raw)	$302.6	-0.2
London daily sugar (white)	$295.0	+1.0
Tate and Lyle export price	£307.5	+3.0
Barley (English feed)	£113.0	
Maize (US No. 3 yellow)	£166.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jun)♥	66.75p	+0.50
Rubber (Jul)♥	67.00p	+0.50
Rubber (KL RSS No 1 May)	209.0m	-1.0
Coconut oil (Philippines)§	$425.0y	+5.0
Palm Oil (Malaysian)§	$371.0u	-1.5
Copra (Philippines)§	$267.5	
Soyabeans (US)	£175.0u	+4.0
Cotton "A" Index	60.80c	
Wooltops (64s Super)	345p	+3.0

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Aug/Sep u-Jun. . z-Apr/May v-May ♥London physical. §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – London FOX			($ per tonne)
White	Close	Previous	High/Low
Aug	302.00	302.80	303.00 301.50
Oct	293.90	295.30	296.00 293.00
Mar	292.00	294.20	293.50 291.70

White 241 (585) Paris- White (FFr per tonne): Aug 1645.81 Oct 1599.72

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Jun	19.20	19.19	19.27 19.16
Jul	19.18	19.11	19.21 19.11
Aug	19.22	19.21	19.26 19.17
Sep	19.25	19.26	19.32 19.25
Oct	19.30	19.29	19.30
IPE Index	19.20	19.21	19.21 19.20

Turnover 24685 (36219)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
May	183.75	183 00	184.50 182.25
Jun	179.50	179.00	180.00 178.25
Jul	177.75	177.25	178.25 177.25
Aug	178.00	178.25	179.00 178.00
Sep	179.50	179.50	180.50 179.50
Oct	182.25	182.25	183.25 182.75
Nov	184.25	184.25	185.00 184.50
Dec	186.00	186.00	187.00 185.75
Jan	186.25	186.00	187.00

Turnover 15486 (16203) lots of 100 tonnes

TEA

There was good general demand,reports the Tea Brokers Association. Brightest liquoring East African teas and better mediums were fully firm and often dearer. Plainer description-sproved irregular and tended easier. Offshore demand was selective. Kenya teas attracted fair support but Central Africans met less competition at easier rates. Quotations quality 155, good medium 120, medium 110, low medium 88. The highest price realised this week was 165p for a South Indian 1gfop.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
May	664	667	663 658
Jul	683	688	686 678
Sep	696	702	700 692
Dec	715	721	720 712
Mar	736	740	740 733
May	750	755	748 746
Sep	779		778
Dec	802	806	802 801
Mar	825	829	830 824

Turnover: 3247 (2955) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 10 725.90 (721.86) 10 day average for May 7 721.58 (720.98)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
May	865	863	877 865
Jul	873	874	890 870
Sep	875	875	890 875
Nov	888	889	901 888
Jan	895	899	906 895
Mar	902	905	912

Turnover: 1401 (1320) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 4 :Comp. daily 52.75 (52.33) 15 day average 52.35 (52.20)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	92.5	93.5	93.0

Turnover 2 (9) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Oct	146.00	142.50	146.00

Turnover 50 (10) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
May	1577	1576	1580 1575
Jun	1472	1460	1475 1469
Jul	1317	1315	1325 1317
Oct	1410	1400	1410 1409
BFI	1571	1571	1571

Turnover 155 (291)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
May	142.00	142.60	142.00 141.00
Jun	142.30	142.60	142.30 140.75
Nov	110.75	110.50	110.75
Barley	Close	Previous	High/Low
May	136.75	137.00	

Turnover: Wheat 90 (201). Barley - (30).
Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
May	114.8	114.0	114.5
Jun	109.0	109.8	108.5

Turnover:15 (18) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 30,386 lots
Cash	1121.5-2.5	1129.5-30.5	1128/1127	1127/1127.5		
3 months	1144-5	1151-2	1159/1142	1148/1148.5	1150-1	179,664 lots
Copper, Grade A (£ per tonne)						Total daily turnover 81,549 lots
Cash	1129-30	1108-9	1115/1114.5	1114.5-5.0		
3 months	1148-9	1128.5-9.0	1150-1133	1134-4.5	1146-7	188,778 lots
Lead (£ per tonne)						Total daily turnover 2,943 lots
Cash	265.5-6.5	262.5-3.5		264.5-5.0		
3 months	275-5.5	272.5-3.5	276/274	274.5-4.75	275-6	20,452 lots
Nickel ($ per tonne)						Total daily turnover 8,495 lots
Cash	5975-85	5995-6005		5980-5		
3 months	6045-55	6060-5	6070/6040	6045-50	6045-50	46,729 lots
Tin ($ per tonne)						Total daily turnover 2,309 lots
Cash	5620-30	5595-600	5623	5622-3		
3 months	5680-5	5650-5	5735/5670	5680-5	5680-5	9,381 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 13,587 lots
Cash	1008.5-9.5	1008-9	1012.5	1012.5-3.0		
3 months	1028-9	1027-8	1032/1028.5	1030.5-1.0	1028-9	63,898 lots

LME Closing £/$ rate:
SPOT: 1.5353 3 months: 1.5245 6 months: 1.5140 9 months: 1.5048

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	356.60-356.90	
Opening	355.70-356.10	
Morning fix	356.25	228.92
Afternoon fix	356.80	230.49
Day's high	357.20-357.50	
Day's low	355.30-355.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.50	6 months	2.36
2 months	2.44	12 months	2.33
3 months	2.40		

Silver fix	p/troy oz	US cts equiv
Spot	278.30	435.25
3 months	280.15	439.25
6 months	284.40	442.85
12 months	292.70	450.20

GOLD COINS

	$ price	£ equivalent
Krugerrand	355.00-358.00	227.00-229.00
Maple leaf	367.15-369.50	-
New Sovereign	85.00-88.00	54.00-58.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jun	Sep	Jun	Sep
1075	65	94	3	10
1100	45	78	7	16
1125	28	69	15	24
Copper (Grade A)	Calls		Puts	
1800	28	69	87	109
1850	16	52	124	140
1900	8	37	166	176
Coffee	Jul	Sep	Jul	Sep
850	43	69	20	44
900	20	46	47	71
950	9	31	86	106
Cocoa	Jul	Sep	Jul	Sep
700	14	33	31	37
725	7	24	49	53
750	4	17	71	71
Brent Crude	Jun	Jul	Jun	Jul
1850	70	-	-	10
1900	25	39	2	-
1950	-	18	-	52

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
May	356.6	356.7	0	0
Jun	356.3	357.4	358.7	356.8
Jul	358.0	358.2	0	0
Aug	358.8	359.0	360.3	358.4
Oct	360.3	360.5	361.4	360.4
Dec	361.7	361.9	363.3	361.4
Feb	363.3	363.4	364.0	363.3
Apr	364.6	364.8	366.0	364.5
Jun	363.3	366.3	367.0	367.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	379.6	384.6	383.0	379.0
Oct	378.4	383.3	382.0	378.5
Jan	378.3	382.8	379.0	379.0
Apr	378.0	382.5	380.0	379.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
May	425.7	426.1	427.0	426.0
Jun	426.7	427.2	0	0
Jul	428.0	428.5	431.0	425.5
Sep	430.6	431.3	434.5	428.5
Dec	434.9	435.4	437.5	433.0
Jan	435.4	435.9	0	0
Mar	439.0	439.6	441.5	436.5
May	441.8	442.3	0	0
Jul	444.9	445.5	446.5	445.0
Sep	448.3	449.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	77.60	76.95	78.50	77.40
Jun	77.90	77.20	77.90	77.90
Jul	78.25	77.55	79.10	77.45
Aug	78.60	77.90	79.00	79.00
Sep	78.90	78.20	79.70	78.20
Oct	79.20	78.50	0	0
Nov	79.55	78.85	0	0
Dec	79.85	79.15	80.45	79.00
Jan	80.05	79.35	0	0
Feb	80.35	79.60	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jun	20.50	20.44	20.56	20.43
Jul	20.67	20.62	20.73	20.61
Aug	20.76	20.72	20.82	20.70
Sep	20.81	20.77	20.86	20.76
Oct	20.82	20.79	20.85	20.78
Nov	20.80	20.80	0	0
Dec	20.84	20.79	20.81	20.80
Jan	20.76	20.78	0	0
Feb	20.75	20.73	0	0
Mar	20.75	20.70	20.75	20.72

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jun	56.65	56.17	56.75	56.20
Jul	56.80	56.51	56.90	56.45
Aug	57.25	57.06	57.40	57.00
Sep	58.10	58.06	58.30	57.95
Oct	59.05	59.01	59.30	58.90
Nov	60.10	59.91	60.20	60.05
Dec	61.00	60.78	61.00	60.70
Jan	61.35	61.18	61.35	61.35
Feb	61.00	60.88	61.25	60.80
Mar	59.65	59.43	59.65	59.65

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
May	892	909	900	888
Jul	915	934	927	907
Sep	942	962	953	934
Dec	980	1002	991	975
Mar	1009	1032	1015	1004
May	1033	1058	1036	1033
Jul	1055	1076	0	0
Sep	1083	1104	1078	1078
Dec	1109	1130	1115	1115
Mar	1142	1163	1140	1140

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
May	59.50	59.15	59.00	58.45
Jul	60.10	59.80	61.35	58.55
Sep	61.95	61.20	62.90	60.20
Dec	64.50	64.15	65.45	63.90
Mar	66.80	66.75	66.75	65.75
May	68.00	67.75	0	0
Jul	69.50	69.25	0	0
Sep	71.00	70.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	12.17	12.28	12.31	12.15
Oct	11.85	12.01	11.99	11.84
Mar	11.11	11.28	11.23	11.09
May	11.05	11.21	11.15	11.05
Jul	11.00	11.10	11.00	11.00

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	62.20	62.24	62.35	61.85
Oct	62.00	62.15	62.10	61.80
Dec	61.27	61.51	61.40	61.05
Mar	62.30	62.56	62.20	62.15
May	62.85	63.20	63.00	63.00
Jul	63.35	63.62	0	0
Oct	63.20	63.45	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	98.00	91.45	100.25	92.10
Jul	101.00	93.85	103.50	95.00
Sep	101.60	96.60	101.60	99.50
Nov	103.75	98.75	103.00	101.50
Jan	105.75	100.75	105.75	103.00
Mar	106.75	101.75	106.75	104.95
May	106.75	101.75	0	0
Jul	106.75	101.75	0	0
Sep	106.75	101.75	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
May 10	May 7	mnth ago	yr ago
1657.4	1647.2	-	1623.0

DOW JONES (Base: Dec. 31 1974 = 100)				
	May.7	May.6	mnth ago	yr ago
Spot	120.02	120.63	124.91	117.67
Futures	121.67	121.72	121.94	118.67

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
May	602/2	605/4	604/6	601/0
Jul	603/4	606/0	605/0	601/6
Aug	603/6	606/2	605/0	601/6
Sep	603/6	605/4	604/2	601/6
Nov	606/6	609/0	607/2	604/2
Jan	613/0	615/2	613/0	610/6
Mar	619/0	621/2	619/0	617/0
May	621/0	623/0	621/0	619/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	21.21	21.14	21.21	20.99
Jul	21.42	21.35	21.43	21.20
Aug	21.52	21.46	21.52	21.34
Sep	21.63	21.57	21.63	21.44
Oct	21.74	21.67	21.74	21.57
Dec	21.97	21.89	21.98	21.79
Jan	22.05	21.98	22.05	21.93
Mar	22.25	22.18	22.25	22.05

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
May	192.8	193.4	193.0	191.8
Jul	191.8	193.1	192.1	191.3
Aug	191.9	193.0	192.1	191.8
Sep	192.2	193.2	192.3	191.7
Oct	192.3	194.2	192.8	191.9
Dec	193.3	194.8	193.8	193.0
Jan	193.6	194.5	194.0	193.5
Mar	194.1	195.0	195.0	194.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
May	224/6	227/6	226/4	224/2
Jul	227/4	230/2	228/4	226/0
Sep	231/6	234/4	232/6	230/4
Dec	236/2	239/2	237/0	234/6
Mar	242/6	245/4	243/4	241/0
May	247/0	250/2	247/4	246/4
Jul	250/4	253/6	250/4	249/4
Dec	247/0	249/4	248/0	246/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
May	348/0	347/0	350/0	346/0
Jul	293/6	293/0	294/4	291/0
Sep	297/0	295/6	297/2	294/2
Dec	307/6	306/6	308/0	305/4
Mar	313/0	311/4	313/0	310/6
Jul	309/4	310/0	310/0	308/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	76.950	76.450	77.100	76.525
Aug	73.825	73.500	73.925	73.425
Oct	74.150	73.925	74.300	73.850
Dec	74.025	74.050	74.300	73.950
Feb	73.500	73.450	73.650	73.500
Apr	74.525	74.550	74.700	74.400
Jun	71.575	71.500	72.000	71.575

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	50.675	52.175	52.450	50.675
Jul	49.825	51.250	51.600	49.750
Aug	47.750	49.050	49.175	47.750
Oct	42.550	43.550	43.650	42.475
Dec	43.875	44.600	44.850	43.800
Feb	43.850	44.600	44.800	43.800
Apr	42.850	43.325	43.550	42.850
Jun	48.550	48.600	48.700	48.550

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
May	42.525	44.525	44.600	42.850
Jul	42.450	44.450	44.800	42.450
Aug	40.325	42.325	42.925	40.750
Feb	41.400	42.575	42.975	41.100
Mar	40.400	40.900	0	40.400
May	40.500	41.250	41.525	40.500

LONDON STOCK EXCHANGE

Dollar strength helps blue chip shares

By Terry Byland,
UK Stock Market Editor

THE recovery in UK equities gathered pace yesterday as a strong dollar encouraged overseas earners and the political troubles of the UK government revived hopes for a cut in domestic interest rates. Economic data showing a rise in consumer credit but only modest growth in producer prices also buttressed the stock market's hopes for inflation-free expansion in the UK economy. A final flurry of optimism came in London when Wall Street gained 25 Dow points in early trade.

The FT-SE 100 Index broke through the 2,800 mark again in fine style, closing 36.1 up at 2,829.8, the best of the day. But trading volume was fairly modest at 587.5m shares, against 614.7m on Friday, and most of the interest was in the Footsie-listed blue chips. ICI was a strong feature as fund managers finalised positions ahead of the pricing tomorrow of the £1.3bn rights issue of Zeneca shares.

A US house was believed to be operating a sizeable programme trade involving investment in both UK and European equities. Firmness in stock index futures followed the underlying stock market rather than leading it; last week's selling of the Footsie June future, said to be by an institution moving from equities into UK gilts, had evidently been completed.

The political uproar following last week's voting setback for Mr John Major's government at both local and national electoral levels, culminating in revived calls for the removal of Mr Norman Lamont, the chancellor of the exchequer, rebounded in the stock market's favour. The pressure on the government, it was thought, might force out the cut in UK base rates of which the City of London has felt cheated.

But London equity traders sounded unimpressed by the base rate suggestions, and pointed to the dollar's strength as the chief factor behind yesterday's rise in share prices. The pharmaceuticals, oils and tobacco sectors all stood out strongly for this reason.

Domestic stocks focused more on the £232m rise in consumer lending in April, the largest monthly increase for two years. A number of important retail groups are due to report progress over the next fortnight, including Marks and Spencer, Grand Metropolitan and Allied-Lyons, and the stock market is looking, yet again, for evidence that consumers are providing the driving force behind the economic recovery.

With attention returning to the Footsie-listed stocks, the performance from the FT-SE Mid 250 Index was less striking. At 3,125.6, the Mid 250 was up by 16.1, or 0.5 per cent, compared with the gain of around 1.3 per cent on the Footsie.

Market strategists remained optimistic towards equities. NatWest Securities continued to urge clients to "buy into weakness". While holding its Footsie range forecast unchanged at 2,700-3,000 for this year, NatWest has raised its 1994 target from 3,200 to 3,300.

Strauss Turnbull, London securities arm of Société Générale, is raising its GDP forecast for this year to 2 per cent and for 1994 to 3.1 per cent. It is lifting its end-1994 Footsie target to 2,900. Strauss has also become more optimistic on UK interest rates as the Bundesbank continues to signal its intention to cut German rates.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	5,800	68	+1½
Abbey National†	3,500	410	+8½
Albert Fisher	184	67	+½
Allied-Lyons†	2,400	581	+6
Amstrad	283	32½	-½
Anglian Water†	1,000	484	
Argos	315	288	+4
Argyll Group†	2,800	331	+6
Arjo Wiggins†	2,500	187	-4
Ass. Brit. Foods†	306	481	+10
Ass. Brit. Ports	1,000	407	+1
Dalgety	527	438	
De La Rue†	288	684	-6
Dixons	1,200	213	+6
Eastern Elec.	423	482	
East Midland Elect.	1,000	451	-1
Eng China Clays†	202	435	+2
Enterprise Oil†	600	436	+8
Eurotunnel Units	50	410	
FKI	1,500	132½	+2
Fisons†	3,800	174	+4
Foreign & Col. I.T.	692	222	+8
Lucas	1,300	143	
MB Caradon†	1,000	300	+3½
MEPC	582	408	+4
MFI	2,800	140	+4
Manweb	164	516	+1
Marks & Spencer†	3,100	348	+6
Midlands Elect.	125	473	
Morrison (Wm.)	601	150	
NFC†	437	248	+6
NatWest Bank†	3,000	469	+5
National Power†	1,000	330	+5½
Shell Transport†	4,000	571	+6
Siebe†	113	453	+1
Slough Ests	480	174	+8
Smith (W.H.) A	2,800	465	+19
Smith & Nephew†	3,000	144½	+2
SmKl Beecham†	3,300	[illegible]	+16½
SmKl Beecham Uts.†	3,500	434	+17
Smiths Inds.	689	337	-4½
Southern Elect.†	187	481	+1
South Wales Elect.	85	522	-2
South West Water	1,308	513	+2
Ryl Bk Scotland†	3,100	288	+4
Royal Insurance†	2,400	311	+6
Saatchi	28	178	
Sainsbury†	5,500	468	+12
Scottish & New.†	947	471	+5
Scot. Hydro-Elect.†	641	327	+3
Scottish Power†	3,200	358½	+3½
Sears†	3,600	102½	+2½
Sedgwick	172	185	+1
Seeboard	234	480	+3
Severn Trent Water†	805	488	+3
Vodafone†	6,800	415½	+11½
Warburg (SG)	155	887	+15
Wellcome†	2,100	765	+18
Welsh Water	285	587	+5
Wessex Water	307	591	
Whitbread 'A'†	1,500	568	+11
Williams Hldgs.†	1,200	331	+10
Willis Corroon	520	183	+3
Wimpey	877	177½	+7½
Wolseley	301	611	+8
Yorkshire Elect.	1,600	512	+8
Yorkshire Water	448	534	+2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

ICI leaps on US demand

US INTEREST drove ICI shares higher once again. Traders took their cue from Friday's dealings in New York and marked up UK prices at the start of dealing yesterday.

The shares remained strong throughout the day and closed 41 ahead at 1284p. However, turnover of 1.3m shares was thin even for a highly priced stock and suggested more of a reaction than genuine interest.

The price has been volatile ahead of the detailing of the £1.3bn rights issue, believed to be the biggest ever, to fund the impending demerger. ICI's board will meet at 7.00am tomorrow and is expected to announce a one-for-three cash call at around 600p a Zeneca share. Subsequently dealing in the unofficial "grey" market in the new ICI and Zeneca shares will begin at 2.30pm.

US investors, who unusually are able to take part in the rights issue, have been very positive about the prospects for the demerged companies, particularly Zeneca, which generates 40 per cent of its sales in the US.

However, even optimistic houses in the UK financial community unconnected with the issue believe that the shares are expensive above 1250p.

Ratners revival

The surge in the share price of Ratners showed no signs of abating as investors continued to buy strongly into the heavily indebted jewellery group. The shares have now jumped in value by 2.5 times in the past three weeks. Yesterday a huge 30m shares were traded, thrice Friday's hefty total, to close 8¾ up at 40p.

Stores analysts were at a loss as to why the shares are suddenly so popular, although good results from the smaller Goldsmiths jewellery group yesterday provided some encouragement. Ratners has been in its closed season since January, barring any boardroom comment on trading. But privately the company is thought to be concerned that an acknowledged improvement in sales may not justify the recent share price rise. Ratners has previously said that it expects its results in 1993 to mirror last year's £25m loss.

Inevitable speculation has raised hopes that the company will unveil some pleasant surprise with its results, either a disposal or better-than-expected turnaround in trading. This has also been linked to rumours in New York that Zale, the US jeweller, may soon emerge from Chapter 11 on the back of improved business. Other suggestions, however, have been that Ratners may take the opportunity of the share hike to make a rights issue, a neccessary step in its recovery in the opinion of some stores specialists.

WH Smith rebounds

Shares in retailer W.H. Smith had a roller-coaster session, starting weakly, then ending the day showing a 27-point turnaround. Worries over any MMC inquiry into compact discs initially hit the shares, which were down 8 at their worst, before news of a number of upgrades drifted into the market and the mood changed dramatically. The company has been talking to analysts prior to going into closed period and the impression received was of improved trading, in particular at Our Price and Waterstones.

In addition, because of low EPS growth this year, part of WH Smith's share option scheme for employees will not be triggered saving the company around £4m, according to analysts. The shares closed at 465p, a jump of 19 on the day. Both Kleinwort Benson and Hoare Govett upgraded by £10m, the former to £110m, the latter to £110.5m. It moved from hold to trading buy.

Tomkins surges

Conglomerate Tomkins shook off last week's gloom and jumped 13 to 236p, making it the day's best FT-SE performer in percentage terms, after it issued an upbeat report on the integration of Rank Hovis McDougall which it acquired last December.

The company said the plans meant it would have to make a £90m provision but dealers were cheered by the restructuring proposals for the bakery group and by confirmation that the final dividend would not be less than 6.35p, as forecast at the time of the bid.

However a further advance in the shares was checked by continued caution from analysts and several said they would wait for this week's meetings with the company before turning more positive.

UBS was reported to have been the day's big shopper and a hefty 10m shares had been dealt by the close.

Overseas earners were boosted by the strength of the dollar, with pharmaceuticals stocks standing out. Glaxo was further helped by a presentation to leading securities houses. The company's comments yesterday afternoon that it expected double digit sales growth over the next three to four years and 14 per cent profit growth were described as "moderately positive" by one analyst. The shares improved 19½ to 613p. Wellcome rose 18 to 765p and SmithKline Beecham lifted 16½ to 485p xd in the 'A's.

BAT Industries continued to recover from weakness prompted by the recent US cigarette price war. There was also some delayed reaction to Friday's news that a subsidiary of RJR Nabisco was ending a cigarette price promotion. The shares gained 17 to 880p.

The threat of an MMC inquiry into the price of compact discs reflected badly on Thorn EMI, although the shares managed to capture a little of the recovery mood in later trading. They closed 4 off at 831p. NatWest Securities, one of the stock's staunchest supporters, moved it to a short-term hold blaming the uncertainty which will now hang over the stock for the several months duration an inquiry might take.

Several insurers were still clouded by rights issue worries but securities house Credit Lyonnais Laing prompted buyers of Royal Insurance, Legal & General and Prudential. The house published a buy recommendation on Royals and raised its current year forecast by £75m to £165m on the basis that recovery was arriving faster than anticipated. Royals added 5 at 311p. The house also said its top of the range current-year estimate for Legal was too low and the shares lifted 10 to 456p. Prudential, highlighted as an underperformer, rose 7 to 317½p.

Meanwhile General Accident lost ground after last week's gains ahead of first-quarter results today. The market expects profits of £14m against a loss of £29.2m last time. The shares were off 8 at one stage and though recovering with the market still closed 2 weaker at 573p.

Suspension of two stocks in the engineering sector at the companies request raised bid speculation. Shares in Arthur Lee were suspended at 142p, while those of Carclo, which holds nearly 30 per cent of Arthur Lee were suspended at 223p. There was talk that Carclo was about to launch a 160p-a-share bid for the rest of Lee.

ASW continued to be powered by last week's favourable analysts visit and the shares gained 16 to 233p.

Continued speculation of further disposals boosted Lonrho and the shares firmed 2¼ to 107p, with sizeable dealings also reported in the traded options market. International trading group Inchcape added 8 to 591p, after a recommendation from SG Warburg.

Stores stocks felt the benefit of the recovery mood, among which Dixons jumped 6 to 213p, Kingfisher 7 to 595p, Marks and Spencer 6 to 348p. James Capel was said to be enthusiastic on the sector.

Supermarket group J Sainsbury advanced 12 to 468p as NatWest Securities reiterated its positive stance.

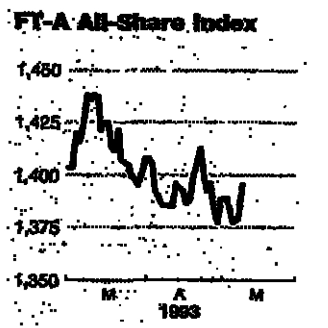
In a perky builders merchants sector, Blue Circle rose 8 to 252p and Rugby Group 6 to 270p. Both benefited from upgrades by BZW.

Arjo Wiggins Appleton shed 4 to 187p in spite of improved sales figures. Dealers said the statistics had been discounted.

MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

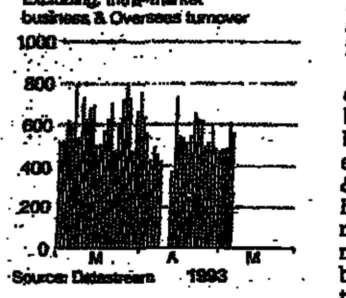
■ Other statistics, Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



Source: Datastream 1993

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (136).
CANADIANS (2) Amer Barrick Res, Echo Bay, Tor.-Dominion Bk, BANKS (4) Abbey Natl., Sakura, Tokai, Westpac, BREWERS (5) Kirin, Hepworth, Vaux, Wetherspoon, Whitbread A, BLDG MATLS (8) Hepworth, Marshalls, Rugby, SMP, Sharpe & Fisher, Unigroup, BUSINESS [illegible] ... Paris, St Helena, [illegible], Reefs, Wellcom, Willoughby Cons.

NEW LOWS (27).
BRITISH FUNDS (1) Treas 15¼pc '98, ELECTRICALS (1) Maddox, ELECTRONICS (3) Molynx, Multitone, ENG GEN (2) Plasmec, Sykes-Pickavant, FOOD MANUF (3) Tate & Lyle, Usborne, FOOD RETAILING (4) Low, Morrison, Do Prf, Shoprite, HEALTH & HSEHOLD (3) AAH, Hafslund Nycomed B, Smith & Nephew, INV TRUSTS (8) Derby, Exmoor Dual, Govett Amer Sm' Co's, Investors Cap, Murray Split Cap Inc, New City & Comm, OTHER INDLS (1) Staveley, MISC (3) Pittard Garnar, Shanks & McEwan, PACKG, PAPER & PRINTG (1) Portals, TEXTS (1) Lyles, MINES (1) OFS Invs.

FINANCIAL TIMES EQUITY INDICES

	May 10	May 7	May 6	May 5	May 4	Year ago	* High	* Low
Ordinary share	2217.8	2189.4	2188.5	2202.6	2218.0	2147.1	2299.5	2124.7
Ord. div. yield	4.18	4.24	4.23	4.20	4.18	4.24	4.52	4.07
Earning yld % full	6.30	6.38	6.37	6.34	6.27	6.02	6.38	5.79
P/E ratio net	19.66	19.40	19.44	19.54	19.80	20.84	22.04	19.40
P/E ratio nil	18.38	18.14	18.17	18.26	18.48	19.38	20.30	18.14
Gold Mines	153.8	151.0	149.9	148.3	148.1	111.0	153.8	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2188.7	2193.9	2194.2	2199.2	2201.8	2203.4	2204.1	2207.0	2215.0	2217.8	2188.4

Volume	May 10	May 7	May 6	May 5	May 4	Year ago
SEAQ Bargains	29,940	33,007	28,161	26,756	27,971	41,075
Equity Turnover(£m)†	-	1194.0	1374.4	1121.9	1053.5	1329.5
Equity Bargains†	-	37,140	32,175	30,787	32,753	50,582
Shares traded (mil)†	-	588.8	618.1	488.0	487.6	619.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

Account Dealing Dates

*First Dealings:		
Apr 19	May 10	May 24
Option Declarations:		
May 6	May 20	Jun 3
Last Dealings:		
May 7	May 21	Jun 4
Account Day:		
May 17	Jun 1	Jun 14

*New time dealings may take place from 8.30am two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2829.8 +36.1	3125.6 +16.1	1394.42 +14.97

	May 10	Day's change %	May 7	May 6	May 5	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2829.8	+1.3	2793.7	2786.3	2796.5	2737.8	6.47	4.00	18.52	41.01
FT-SE Mid 250	3125.6	+0.5	3109.5	3114.7	3119.1	2821.5	6.45	3.72	18.53	34.52
FT-SE-A 350	1408.4	+1.1	1392.9	1390.5	1394.9	1342.7	6.47	3.93	18.52	19.33
FT-SE SmallCap	1588.20	+0.2	1585.31	1587.87	1588.27	-	4.58	3.59	31.14	17.82
FT-SE SmallCap ex Inv Trusts	1599.51	+0.2	1596.50	1598.74	1599.52	-	5.07	3.79	29.06	16.63
FT-A ALL-SHARE	1394.42	+1.1	1379.45	1377.53	1381.77	1326.36	6.35	3.91	19.98	18.82
1 CAPITAL GOODS(213)	975.22	+0.7	968.69	967.62	974.98	928.64	5.45	3.95	23.95	14.35
2 Building Materials(27)	1076.25	+1.1	1064.99	1053.36	1080.93	1121.52	4.78	4.51	28.73	18.33
3 Contracting, Construction(28)	986.65	+0.3	984.07	987.90	971.32	1088.84	2.02	3.43	80.00†	11.57
4 Electricals(15)	2810.57	+0.6	2792.54	2775.41	2781.17	2848.63	5.32	4.81	23.91	65.13
5 Electronics(37)	2846.06	+0.9	2822.62	2818.15	2835.80	2089.60	5.99	3.02	21.12	19.74
6 Engineering-Aerospace(7)	372.19	—	372.03	372.33	372.81	399.92	5.45	3.97	24.31	4.81
7 Engineering-General(61)	582.60	+0.4	580.31	588.30	587.31	558.75	6.83	3.75	18.55	7.08
8 Metals & Metal Forming(11)	414.13	+0.2	413.13	404.61	402.72	375.08	4.19	2.97	34.69	0.66
9 Motors(18)	402.02	-0.1	402.35	403.18	406.40	392.05	5.05	5.49	28.33	9.52

Hourly movements

FT-SE Actuaries 350 Industry Baskets

LONDON SHARE SERVICE

BRITISH FUNDS

Continued on next page

OTHER FIXED INTEREST

EQUITY FUTURES AND OPTIONS TRADING

STOCK INDEX futures moved sharply ahead on the first day of the new equity account on hopes of a cut in UK base rates and on the release of encouraging economic data, writes Joel Kibazo.

Initial selling of the June contract on the FT-SE 100 Index saw it relinquish 4 points to 2,797 in the first half-hour of trading. But a more positive mood on interest rates drew the buyers off the sidelines, causing a turnround in the fortunes of the contract and sending it sharply ahead.

Further demand was encouraged by the release towards midday of official statistics showing a rise in consumer credit but only a slight increase in producer prices. However this led to a squeeze in the June future contract.

That squeeze continued in the afternoon as UK traders focused on the strong performance of Wall Street, the June contract finishing at the day's high of 2,843, a jump of 44 from Friday's finish. However, turnover was modest at 8,488 lots by the official close.

Most of the activity in the traded options sector was in the two index options. A total of 29,032 contracts had been dealt by the finish, of which some 8,871 were in the FT-SE 100 option and 4,118 in the Euro FT-SE option.

Lonrho was the most active of the stock options, with a total of 1,535 lots dealt, followed by BP with 1,124 traded. Fisons, Ladbroke and Glaxo were also busy.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or −	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17¼xd	+⅛	20⅞	15½	14,855	2.4
Allegheny & W.	♥	494p	—	671p	389p	258.7	3.8
Amdahl		332p	+23½	591p	302¼p	372.8	1.9
Amer Cyanamid		34⅛	+½	38⅝	31¼	3,078	3.0
Amer Express		17⅞xd	−⅛	19½	14⅞	8,544	3.6
Amer T & T		38⅛xd	+⅛	40⅞	33⅛	48,042	2.3
Ameritech		48¼	+⅛	52¼	46	21,125	4.8
BankAmerica		29⅜xd	+¼	38⅛	27½	10,438	2.9
Bankers NY		44¼xd	+⅛	51⅞	42⅝	3,591	4.4
Bell Atlantic		34	+⅞	39⅛	32¼	14,718	5.0
BellSouth		33½	+⅜	39⅞	32⅞	16,549	5.2
Bethlehem Steel	♥	12⅞xd	+⅛	13⅛	10	1,137	—
Bowater		1401pxd	+38	1682p	1335p	507.7	1.8
CPC		28⅞xd	+⅞	34⅝	28	4,373	2.8
Cadiz Land Inc	♥	70p	+6½	115p	53p	—	—
California Engy		1358p	—	1478p	1088p	247.2	—
Chase Manhattan		18¼xd	−⅛	24½	17⅞	2,985	4.0
Chrysler		27¼xd	+⅛	28⅞	21¼	7,978	1.4
Chicorp		17⅛xd	+⅛	20⅛	13⅛	6,428	—
Colgate-Palm		38⅝xd	+¼	45⅝	35¼	8,207	2.0
Cont'l Bank		1523p	+41	1877p	1278p	1,538	2.5
Dana		32xd	+⅛	34⅞	29⅛	1,469	3.2
Data General		615p	+13	861p	583p	189.7	—
Decora Inds	♥	125p	—	146p	109p	—	—
Dun & Brad		38⅝	+1	42⅝	37⅛	6,539	4.0
Eaton		57⅞	+1¼	59⅝	50⅝	1,997	2.4
Echlin		15¼xd	+⅛	18⅝	15⅛	874.0	2.9
FPL		24⅞xd	+⅛	27⅞	23¼	4,439	6.4
Ford Motor		35½xd	+⅛	36⅛	28⅛	17,328	1.8
Gen Elect		60⅛xd	+1⅛	62⅛	53⅞	51,618	2.6
General Host	♥	583p	−4	723p	586p	—	3.9
Gillette		33¼xd	—	42⅞	31½	7,308	1.6
Hasbro		20⅞	—	20⅞	20⅛	1,819	0.7
Honeywell		22⅞xd	—	24⅝	20⅛	3,058	2.5
Houston Inds		30¼	+¼	33¼	29¼	3,917	6.2
Ingersoll-Rand		21xd	+⅛	25	19⅝	2,193	2.1
Lockheed		41½	+1⅛	42⅝	35⅛	2,848	3.2

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣□	192	+2½	201	183	3.9	232.9	17.6
Warrants	□	43	—	49	38	–	–	–
Scot Mortgage	♣□	189½	+1½	201	178	2.7	218.6	13.3
Scot National Inc	♣□	90	—	95½	83	10.6	–	–
Cap	□	21½	+½	26	16	–	57.8	63.5
Stepped Pf		162¼	—	165¼	150¼	5.9	–	–
Zero Div Pf		208	+½	212	207	–	–	–
Warrants		3½	—	5	3	–	–	–
Scot Value	†□	79½	—	79¾	71	2.8	75.7	-4.7
Sec Alliance	♣†	1429	+14	1503	1380	3.2	1602.5	11.7
Second Consid	□	118	—	118	88	–	183.1	35.6
Second Market	♣	327	-1	328	256	0.8	358.5	8.9
Sec Tst Scot	♣□	80xd	+1	84½	74½	5.1	83.7	4.7
Select Assets	□	121	-1	130	108½	1.2	169.1	28.0
Eq Ind Serl		130	—	134	128	4.1	–	–
Eq Ind Serll		130	—	134	128	4.1	–	–
SHIRESCOT		121	—	123	104	5.6	122.2	1.0
Shires	♣	253	—	262	231	9.1	250.4	0.9
11pc Cv Ln '03/04		£128	—	£131½	£115½	8.7	–	–
Stam Select		129	—	136	97	0.2	135.6	5.2
Warrants		38	—	38	15	–	–	–
Smaller Cos	□	110	—	118	78	3.9	112.1	2.3
Warrants		30	+2	30	14	–	–	–
Sphere Inc	□	19½	—	21½	14	19.9	32.8	40.5
Zero Div Pf		85½	—	85¾	80¾	–	–	–
Summit		59	—	60	38	3.0	89.9	34.4
TR City of Lon	□	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth — 0202 298422

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	49.61	49.61xd	50.11	+0.02	0.5
Central Prinance	5½	55.35	53.68	59.39	+0.03	6.0
Ethical	5½	51.37	52.42	55.70	+0.09	4.0
European Growth	5½	55.97	56.35	60.10	+0.09	4.0
Income	5½	61.06	61.54xd	64.97	+0.12	3.0
Intl Growth	5½	77.44	77.96xd	83.18	+0.24	5.8
Managed	5½	68.68	68.35	73.00	+0.33	2.9
UK Growth	5½	55.03	56.05	59.30	+0.33	4.8

Standard Life Tst Mngmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ — 0800 393777

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Acc	5¼	42.25	42.25	44.90	-0.1	1.84
UK Equity Gth Acc	5¼	56.07	57.09	60.08	-	1.84
UK Eq High Inc Inc	5¼	33.90	33.90xd	36.02	-	1.61
UK Eq High Inc Acc	5¼	40.38	40.38	42.02	-0.1	3.88
UK Equity Gen Acc	5¼	52.24	33.19	42.70	-0.1	3.88
UK Equity Gen Inc	5¼	39.51	40.23xd	58.52	-	2.44
UK Larger Cos Acc	F 7½	357.2	302.0	392.8	-	2.44
UK Larger Cos Inc	F 7½	274.3	278.0xd	301.7	+0.7	3.89
Gilt & Fxd Int Inc	5¼	29.48	29.56xd	31.26	+0.5	3.89
O'seas Lrg Cos Acc	F 7½	350.0	284.5	287.0	+0.1	8.84
Nth American Acc	5¼	40.11	40.35	42.89	-1.3	1.51
Far East Acc	5¼	53.12	53.12	56.44	-0.2	0.83
European Acc	5¼	39.60	30.56	42.04	-0.4	1.18

State Street Unit Trust Mngmt Ltd (1400)F
20 Birchin Lane, London EC3V 9AJ — 071-626 1599

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global A	5¼	[illegible]	3.015	3.840	-	1.12
US Equities (u)	5¼	$2.080	2.080	2.207	-	0.79
Far East Equities (u)	5¼	Y247.4	248.6	264.1	-	-
Japan Equities (u)	5¼	Y240.8	242.7	257.0	-	-
FT Europe (u)	5¼	109.1	109.3	116.0	-	-
FT North American (u)	5¼	$1.880	1.888	1.807	-	2.18
FT Japan (u)	5¼	Y243.1	243.8	258.7	-	1.08
FT Asia Ex Japan (u)	5¼	$1.815	1.828	1.942	-	1.75

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh — 031-226 3271

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	322.0	322.0	342.8	+3.5	0.32
(Accum Units) ♥	5	379.6	379.6	404.2	+4.2	0.32
British	5	906.4	906.4	959.0	+3.0	4.42

Funds in Court*

	Bid Price	Offer Price
Capital Apr 1	549.99	554.12
Gross Apr 1	207.29	208.87
High Yield Apr 1	333.75	330.39

* Restricted to monies under Court control

Savett (John) Unit Mngmt Ltd

	Bid Price	Offer Price
Managed Exempt	104.95	108.08

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price
Pensions Mngd	60.4	61.65xd

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price
Intl Mngd P'Folio (1000-1)	£1.4540	1.5490
Mngd Pens (Acc)	£0.9293	0.0048
UK Core	£0.9957	1.0170

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price
Property May 4	£1900.0	2100.0
Inc Gth Prp Feb 3	£1200.0	1400.0

Lazard Investors Ltd ‡
Exempt Funds

	Bid Price	Offer Price
Small Co's May 5	£4910.6	5112.7
European May 5	£687.6	694.7
American May 5	£418.3	421.9
Japan May 5	£569.3	575.3
Pacific May 5	£180.7	184.5
Midland Gth Feb 26	£123.9	135.3

Local Authorities Mutual Invest. Tst
2 Fore Street, London EC2Y 5AQ

	Bid Price	Offer Price
Property Apr 30	177.10	180.70
Equity Apr 30	992.10	1006.00

* Available only to Local Authorities

M & G Securities Ltd

	Bid Price
Charibond (z)	108.3xd
(Accum Units)	743.04
NAACIF (z)	44.10xd

INSURANCES

OTHER UK UNIT TRUSTS

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Provident Mutual Life Assc. Assn. - Contd.

Pension Funds	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	539.4	567.8	+4.8	–
Managed Init	382.8	402.9	+3.1	–
Equity Ord	833.9	877.8	+7.4	–
Equity Init	591.8	622.9	+5.3	–
Pen Ind Lnd Gilt Ord	217.3	228.7	-0.5	–
Pen Ind Lnd Gilt Init	161.1	169.6	-0.3	–
Overseas Equity Ord	380.0	400.0	+5.9	–
Overseas Equity Init	269.7	283.9	+3.8	–
Property Ord	289.5	307.8	+0.2	–
Property Init	203.4	214.1	+0.1	–
Fixed Interest Ord	332.6	350.1	+0.2	–
Fixed Interest Init	236.0	248.4	–	–
Deposit Ord	286.3	301.4	+0.1	–
Deposit Init	203.2	213.9	+0.1	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

Prufund	Bid Price	Offer Price	+ or -	Yield Gross
Managed May 5	293.5	308.9	–	–

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary May 5	£224.23	231.39	+0.02	–
Equity May 5	£251.84	260.40	-0.90	–
International May 5	£37.01	38.01	+0.36	–
Intl Bond May 5	£19.45	19.70	+0.17	–
Fixed Int May 5	£121.28	122.70	-0.89	–
Index Linked May 5	£88.82	90.04	-0.89	–
Property May 5	£109.58	115.86	+0.29	–
Cash May 5	£33.39	33.28	+0.04	–
Pru-Linked Retirement Plan				
Managed May 5	530.70	532.90	+6.60	–
Cash May 5	301.70	314.30	+0.30	–
Prudential Pension Investment Account				
Pens Mngd	213.30	220.20	+2.00	–
Pens Mngd A	95.40	100.60	+0.90	–
Pens UK Eq	380.90	388.20	+3.50	–
Pens Intl	387.10	389.30	+3.50	–
Pens Global Eqty	120.50	128.90	+1.20	–
Pens Fixed	272.30	287.50	+0.30	–
Pens Index Lk	224.60	237.10	-0.40	–
Pens Property	80.30	84.00	–	–
Pens Cash	197.10	207.50	+0.20	–
Money Purchase Plan				
Discretionary (z)	121.10	129.90	–	–
Equity (z)	124.40	133.80	–	–

Scottish Amicable - Contd.

Pension Funds	Bid Price	Offer Price	+ or -	Yield Gross
Building Society	172.7	181.8	–	–
Managed (Init)	231.8	244.0	+3.60	–
Managed (Acc)	458.5	480.6	+7.70	–
Equity (Init)	260.6	274.4	+4.20	–
Equity (Acc)	513.3	540.4	+8.40	–
Property (Init)	143.4	151.0	–	–
Property (Acc)	282.4	297.3	–	–
International (Init)	233.6	245.9	+5.70	–
International (Acc)	460.0	484.3	+11.4	–
Fixed Interest (Init)	220.1	231.7	–	–
Fixed Interest (Acc)	433.3	456.2	–	–
Cash (Init)	154.1	162.3	–	–
Cash (Acc)	303.7	319.7	–	–
Others				
Capital Guarantee Bond	98.3	103.5	+1.30	–

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	221.6	233.2	+3.7	–
UK Equity	212.0	223.2	+2.4	–
International	221.6	233.3	+3.4	–
American	228.8	240.8	+4.8	–
European	206.9	217.8	+2.3	–
Japan	239.4	252.0	+3.6	–
Pacific	305.1	321.2	+4.3	–
Technology	288.9	304.1	+5.6	–
Fixed Interest	166.5	175.3	+0.3	–
Indexed Linked	148.9	156.7	-0.2	–
Foreign Bond/Currency	214.3	225.6	+1.7	–
Cash	171.950	180.970	+0.080	–
Ethical	116.3	122.4	+0.6	–
Pens Mixed	631.8	665.1	+12.0	–
Pens UK Equity	712.3	749.8	+15.1	–
Pens International	677.4	713.1	+11.8	–
Pens American	229.3	241.4	+6.1	–
Pens European	238.5	251.0	+3.9	–
Pens Japan	284.0	299.0	+6.9	–
Pens Pacific	338.6	356.4	+3.2	–
Pens Fixed Interest	331.5	348.9	+0.6	–
Pens Index Linked	184.1	193.8	-0.3	–
Pens Cash	273.279	287.663	+0.116	–
Pens Property	217.24	228.67	–	–
Pens Ethical	147.9	155.6	+7.2	–
Edinburgh Inv	328.0	345.3	–	0
Baillie Gifford Japan	228.1	240.1	–	–

Scottish Life Investments

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Asian Selection Funds				
China	$9.604	10.110	—	
Hong Kong	$28.462	29.960	—	0.0
Indonesia	$9.160	9.642	—	0.4
Korea	$10.985	11.595	—	0.0
Malaysia	$17.704	18.590	—	0.0
Philippines	$18.393	18.361	—	0.0
Singapore	$11.984	12.480	—	0.0
Thailand	$19.883	20.930	—	0.0
South East Asia	$24.696	25.991	—	0.0
US Dollar Liquidity	$9.957	10.035	—	0.9
Cater Allen Investment Management (CI)				
CA Gilt Income	£3.86	6.12xd	—	16.34
CA Equity Gwth	£4.59	4.86	—	2.22

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rises close to DM1.61

THE DOLLAR rebounded sharply against the D-Mark yesterday, peaking at DM1.6095 in European trading, as dealers switched their attention onto the continuing recession in Germany and away from the slow upswing in the US, *writes James Blitz.*

Yesterday's strong performance by the dollar appears to have had its roots in the market's reaction to last Friday's worse-than-expected US non-farm payroll figure for April.

Although the dollar lost ground in the immediate aftermath of those figures, it bounced back late on Friday. By yesterday morning, the market appeared to be taking the view that the dollar's upside must be strong if it refused to weaken on a poor payroll figure.

Adding to the D-Mark's intrinsic weakness were new indications at the weekend that the state of Germany's finances is in a poor shape.

At the weekend, Mr Theo Waigel, Germany's finance minister, underlined that the forecast for Germany's budget deficit will have to be revised upwards over the next few years. At the same time, IG Metall, Germany's powerful engineering union, was also confident on Sunday that it would receive fresh support for strike action in eastern Germany this week.

The perceived weakness of the D-Mark helped the dollar to a close of DM1.6045, up more than 2 pfennigs on the day.

However, sterling slipped sharply against the D-Mark as dealers grew concerned that the new problems facing Mr John Major's government could trigger another cut in UK base rates.

The government's savage defeat in the Newbury by-election last week has already put Mr Major under pressure to sack Mr Norman Lamont, his chancellor. For the first time yesterday, UK money markets were starting to bet on another easing in UK monetary policy before the autumn.

The pound closed 3 pfennigs down on the day at DM2.4625 and 4 cents down on the day at $1.5350. Sterling was a full percentage point down on the day when measured against its exchange rate index, closing at 79.9.

Mr Steve Hannah, director of IBJ international in London, believes that there is unlikely to be a resumption of the very negative psychology towards sterling that was seen in early February.

He believes that new evidence that the economy is recovering and Germany's difficulties should provide a floor for the pound at DM2.45.

Inside the European exchange rate mechanism, the main focus of the day was on the Danish krone which continued to slip against the D-Mark in the run up to next Tuesday's Danish referendum on the Maastricht treaty.

Pushing the krone down was a poll showing support for the treaty slipping to 46 per cent with 34 per cent opposed.

The krone slipped to around DKr3.8640 from a previous DKr3.8525.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 10	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Irish Punt	0.808996	0.803838	-0.76	2.09	39
Dutch Guilder	2.20045	2.19548	-0.23	1.54	17
Belgian Franc	40.2802	40.2424	-0.09	1.41	10
D-Mark	1.95294	1.95652	0.18	1.13	-4
Portuguese Escudo	180.624	181.511	0.49	0.82	-8
French Franc	6.54988	6.59014	0.61	0.69	-28
Spanish Peseta	142.150	143.401	0.88	0.43	-15
Danish Krone	7.44934	7.54721	1.31	0.00	-55

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5310 - 1.5660	1.5345 - 1.5355	0.39-0.37cpm	2.97	1.09-1.06pm	2.80
Canada	1.9430 - 1.9895	1.9460 - 1.9470	0.19-0.11cpm	0.92	0.50-0.36pm	0.88
Netherlands	2.7600 - 2.7900	2.7600 - 2.7700	⅜-½cdis	-1.90	¾-1⅛dis	-1.36
Belgium	50.55 - 51.10	50.75 - 50.85	4-8cdis	-1.42	14-21dis	-1.38
Denmark	9.5010 - 9.5760	9.5200 - 9.5300	2⅞-4½oredis	-4.57	8-9¼dis	-3.73
Ireland	1.0075 - 1.0165	1.0145 - 1.0155	0.17-0.20cdis	-2.19	0.46-0.52dis	-1.93
Germany	2.4600 - 2.4865	2.4600 - 2.4650	⅜-½pfdis	-2.13	⅞-1⅛dis	-1.62
Portugal	227.95 - 230.30	228.40 - 229.40	225-429cdis	-17.14	429-644dis	-9.38
Spain	180.20 - 181.85	180.40 - 180.70	158-176cdis	-11.10	389-428dis	-9.14
Italy	2263.10 - 2284.10	2269.75 - 2270.75	9-12liredis	-5.55	27-29dis	-4.93
Norway	10.3840 - 10.4920	10.3875 - 10.3975	1⅛-2⅝oredis	-2.17	2¾-4½dis	-1.40
France	8.2875 - 8.3735	8.2875 - 8.2975	1½-1⅞cdis	-2.44	3⅞-4dis	-1.78
Sweden	11.3390 - 11.4580	11.3575 - 11.3675	2⅞-4¼oredis	-3.76	7¾-9¼dis	-2.99
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

	£	$	DM	YEN	F Fr.	S Fr.	N Fl.	Lira	C $	B Fr.	Pta	Ecu
£	1	1.535	2.463	171.6	8.293	2.233	2.765	2270.	1.947	50.80	180.6	1.261
$	0.651	1	1.605	111.7	5.403	1.455	1.801	1479	1.268	33.09	117.7	0.821
DM	0.406	0.623	1	69.63	3.367	0.907	1.123	921.6	0.790	20.63	73.33	0.512
YEN	5.831	8.950	14.36	1000.	48.36	13.02	16.12	13236	11.35	296.2	1053	7.353
F Fr.	1.206	1.851	2.970	206.8	10.	2.693	3.334	2737	2.348	61.26	217.8	1.521
S Fr.	0.448	0.687	1.103	76.80	3.714	1	1.238	1017	0.872	22.75	80.88	0.565
N Fl.	0.362	0.555	0.891	62.03	2.999	0.808	1	821.0	0.704	18.37	65.32	0.456
Lira	0.441	0.676	1.085	75.55	3.653	0.984	1.218	1000.	0.858	22.38	79.56	0.555
C $	0.514	0.788	1.265	88.08	4.259	1.147	1.420	1166	1	26.09	92.76	0.648
B Fr.	1.969	3.022	4.848	337.6	16.32	4.396	5.443	4469	3.833	100.	365.5	2.482
Pta	0.554	0.850	1.364	94.96	4.592	1.236	1.531	1257	1.078	28.13	100.	0.698
Ecu	0.793	1.217	1.953	136.0	6.577	1.771	2.193	1800	1.544	40.29	143.2	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

OTHER CURRENCIES

May 10	£	$
Kuwait	0.46350 - 0.46450	0.30020 - 0.30070
Luxembourg	50.75 - 50.85	33.05 - 33.15
Malaysia	3.9715 - 3.9815	2.5860 - 2.5670
Mexico	4.8435 - 4.8470	3.1290 - 3.1310
N.Zealand	2.8405 - 2.8445	1.8350 - 1.8375
Saudi Ar	5.8060 - 5.8175	3.7495 - 3.7505
Singapore	2.4960 - 2.5025	1.6120 - 1.6130
S.Af (Cm)	4.9030 - 4.9130	3.1685 - 3.1705
S.Af (Fn)	7.1285 - 7.1440	4.6050 - 4.6150
Taiwan	40.00 - 40.15	25.85 - 25.95
U.A.E.	5.6850 - 5.6980	3.6715 - 3.6735

MONEY MARKETS

Thoughts on a cut

STERLING money market dealers resumed speculation that the UK might cut base rates again this year as Mr John Major's premiership remained under pressure following electoral defeats last week, *writes James Blitz.*

For the last two months, the yield curve in short-dated sterling futures has sloped upwards as dealers took the view that UK base rates had bottomed at 6 per cent.

However, the government's savage defeat last week in both the Newbury by-election and the county council elections has led to some small speculation that the government might be panicked into another base rate cut to stimulate the economy further.

UK clearing bank base lending rate
6 per cent
from 26, January 1993

One major London dealer claimed he was looking for a ½ to 1 percentage point cut in base rates because recent political embarassment had raised the possibility of a short-term setback in the UK's economic recovery. Another factor compounding the hopes of the rate cut bulls was yesterday's producer price inflation data for April.

This was on the modest side, giving the government a little more room to ease policy if it so wished.

Output prices rose an annualised 3.8 per cent in the year to April compared to 3.7 per cent in the year to March. Input prices actually fell between March and April.

Last night, the futures yield curve once again reflected downward sloping interest rates between June and September. The June contract closed at 94.05, a level anticipating 3-month money at 5.95 per cent by the middle of next month.

There was far heavier trading in the September contract, however, which closed up 9 basis points on the day at 94.15. At this level, it is pricing 3-month money in autumn at 5.85 per cent.

Short dated interest rates in the sterling cash market responded similarly, falling by at least $\frac{1}{16}$ per cent across the board.

The 3-month sterling deposit rate closed at 5¾ per cent from a previous close of $5\frac{13}{16}$ per cent. The 1-year rate closed at around $6\frac{1}{32}$ per cent from a previous close of $6\frac{3}{16}$ per cent. This was despite difficulties removing a daily shortage which was forecast in the morning at £850m. There was late assistance of £355m.

Speculation of lower base rates was also felt by sterling, which fell 3 pfennigs against the D-Mark.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 10)	3 months US dollars	6 months US Dollars	
bid $3\frac{1}{16}$	offer $3\frac{3}{16}$	bid 3⅛	offer 3¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	2.67	Three year	4.15
Broker loan rate	5	Two month	2.79	Five year	5.04
Fed.funds	3	Three month	2.93	Seven year	5.55
Fed.funds at intervention	-	Six month	3.07	10-year	5.91
		One year	3.22	30-year	6.84
		Two year	3.78		

May 10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.65-7.75	7.60-7.70	7.50-7.60	7.45-7.60	7.10-7.25	8.50
Paris	$8\frac{1}{16}$-$8\frac{3}{16}$	7⅞-8	-	$7\frac{13}{16}$-$7\frac{15}{16}$	-	8.00
Zurich	4⅞-5⅛	5-5⅛	-	4⅞-5	-	-
Amsterdam	7.87-8.0	7.85-7.90	-	7.52-7.57	-	-
Tokyo	$3\frac{5}{16}$-$3\frac{7}{16}$	-	-	-	-	-
Milan	11⅞-11½	$10\frac{13}{16}$-11	-	$10\frac{13}{16}$-$10\frac{15}{16}$	-	-
Brussels	$7\frac{1}{16}$-$7\frac{3}{16}$	$7\frac{5}{16}$-$7\frac{7}{16}$	-	$7\frac{1}{16}$-$7\frac{3}{16}$	-	-
Dublin	$7\frac{13}{16}$-$8\frac{1}{16}$	7⅞-8	7⅞-8	7¾-7⅞	7⅝-7¾	-

LONDON MONEY RATES

May 10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7	5¾	5⅞	$5\frac{13}{16}$	6	6⅛
Interbank Bid	5	5½	5¾	$5\frac{23}{32}$	5⅞	6
Sterling CDs	-	-	$5\frac{25}{32}$	5⅞	5⅞	$6\frac{1}{16}$
Local Authority Deps.	5⅝	5¾	5⅞	$5\frac{13}{16}$	6	$6\frac{1}{16}$
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6¼	5⅝	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5¾	5⅞	5⅞	6
Treasury Bills (Buy)	-	-	5⅝	5⅝	5½	-
Bank Bills (Buy)	-	-	$5\frac{11}{16}$	$5\frac{11}{16}$	$5\frac{9}{16}$	-
Fine Trade Bills (Buy)	-	-	-	-	-	-

FINANCIAL FUTURES AND OPTIONS

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5350	1.5312	1.5242	1.5141	1.4957

FT-SE 100 INDEX

				Prev.
Jun	2839.0	2844.0	2797.0	2799.0
Sep	2862.0	2862.0	2825.0	2822.5
Dec	2895.0			2845.0

Estimated volume 12727 (9505)
Previous day's open int. 49165 (49173)

* Contracts traded on APT. Closing prices shown.

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
116	1.15	-	1.70	0.10	0.78	-
117	0.41	1.02	-	0.34	1.17	-
118	0.09	0.60	0.80	1.03	-	-
119	0.02	0.33	-	-	-	-
120	-	0.15	-	-	-	-
Open Int	153,843	101,836	21,238	158,800	88,562	12,038

Estimated volume 32,523 † Total Open Interest 555,952
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai.	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

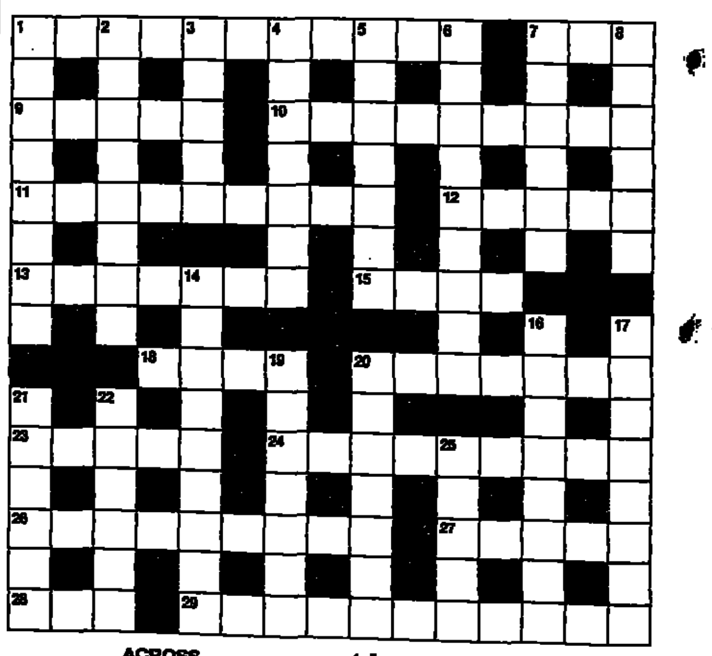
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,147 Set by QUARK



ACROSS

1 Feature of capital overlooked by the banks (5,6)
7 The short list's rubbish (3)
9 Copper to go round with cover about? That's easy to understand (5)
10 Supporting the country, man in charge contains disturbance (9)
11 Mention CD changes; it adds extra flavour (9)
12 Man leaving English Cheddar? (5)
13 Sprinkle salt round ice to get milky fluids (7)
15 Trail of scent an obstruction to progress? (4)
18 Impressive record – one short of a century (4)
20 Take a chance mainly with fish food (7)
23 Bill has no time for attitudiniser (5)
24 Dicky or Ron make sail (9)
26 A cake to teacher's to get an early advantage? (4,5)
27 Examine page's official garment (5)
28 Get the hay dried, man! (3)
29 Forecaster of a sand storm unexpected initially abroad? (11)

DOWN

1 It's a duty, we hear, to phone the time for reading names (4,4)
2 Man briefly in large town about to leave neighbourhood (8)
3 More than one Circle Line? (5)
4 Learner shapes badly. Unfortunate (7)
5 Changed something that's worthless round the gallery (7)
6 Dangerous swimmers charge too much over the beams (9)
7, 8 It certainly takes one back (6,6)
14 Dress and ornaments in study about a centre of fashion (9)
16 One could be boring in the library (8)
17 Sent off after half indication of approval cheers up (8)
19 I give directions to go round (7)
20 Duck in the schedule or fowl? (7)
21 Final result at university – then a little drink (6)
22 Man is – but no man is one, it's said (6)
25 Quick attack capturing pawn (5)

Solution to Puzzle No.8,146

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close May 10

Total Sales 25,796,616 shares

MONTREAL

4 pm close May 10

INDICES

NEW YORK

DOW JONES	May 7	May 6	May 5	May 4	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3437.19	3441.90	3449.10	3446.19	3478.61 (16/4)	3241.95 (20/1)	3478.61 (16/4/93)	41.22 (2/7/32)
Home Bonds	107.67	107.43	107.49	107.51	107.67 (7/5)	103.49 (11/1)	501.97 (27/4/89)	54.99 (1/10/81)
Transport	1571.48	1580.35	1575.71	1583.04	1683.06 (16/4)	1453.84 (4/1)	1683.06 (16/4/93)	12.32 (8/7/32)
Utilities	241.24	242.30	241.99	241.36	247.68 (16/4)	217.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Indl. Day's High 3468.47 (3475.67) Low 3419.67 (3418.93) (Theoretical♠)
Day's High 3448.05 (3454.35) Low 3427.78 (3439.13) (Actual♠)

STANDARD AND POOR'S

	May 7	May 6	May 5	May 4	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	442.31	443.26	444.52	444.05	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	508.99	508.31	510.81	509.03	524.99 (10/3)	495.48 (25/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	42.77	43.22	43.38	43.67	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	244.69	245.22	245.72	245.23	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	426.06	426.95	425.80	424.76	426.95 (6/5)	395.84 (8/1)	426.95 (6/5/93)	29.31 (9/12/72)
NASDAQ Composite	681.44	680.04	683.26	678.16	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	Apr 30	Apr 23	Apr 16	year ago (approx.)
Dow Industrial Div. Yield	3.04	3.01	3.04	2.79
	May 5	Apr 28	Apr 21	year ago (approx.)
S & P Industrial div. yield	2.52	2.58	2.54	2.61
S & P Indl. P/E ratio	26.22	25.77	25.92	29.29

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Royal Dutch	6,304,500	89¾	- ½
Philip Morris	6,199,600	51	+ 1⅞
RJR Nabisco	5,696,200	5¾	+ ⅛
West Elec	5,255,500	15⅞	+ ⅝
Wal-Mart	4,977,800	26¼	- ⅝
Humana	4,175,800	9¾	- ¼
Borden	3,349,100	21⅛	- ¾
Unilever	2,868,500	111⅞	- ⅞
Blanch (EW)	2,558,000	19¾	-- ---
Walt Disney	2,105,200	38¾	+ ¼

TRADING ACTIVITY

† Volume (Millions)	May 7	May 6	May 5
New York SE	223.405	254.368	270.964
Amex	16.497	16.512	18.131
NASDAQ	226.115	260.215	289.190
NYSE			
Issues Traded	2,474	2,506	2,500
Rises	859	939	1,104
Falls	955	939	771
Unchanged	660	628	625
New Highs	72	106	90
New Lows	15	15	24

CANADA

TORONTO	May 7	May 6	May 5	May 4	1993 HIGH	1993 LOW
Metals & Minerals	2877.29	2899.24	2917.63	2907.89	2972.25 (9/2)	2743.31 (21/1)
Composite	3779.06	3794.74	3789.90	3779.20	3794.74 (6/5)	3275.80 (21/1)
MONTREAL Portfolio	1882.66	1890.04	1882.49	1877.10	1890.04 (6/5)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	May 10	May 7	May 6	May 5	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1672.0	1685.3	1691.9	1674.7	1710.10 (26/4)	1495.00 (13/1)
All Mining (1/1/80)	698.7	704.4	707.4	698.8	707.40 (6/5)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	321.86	322.38	322.71	320.69	357.78 (9/3)	300.26 (14/1)
Traded Index (2/1/91)	769.19	770.35	770.29	764.28	860.17 (3/3)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1187.56	1182.81	1189.44	1176.91	1289.11 (7/4)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	300.37	(c)	300.52	298.92	300.52 (6/5)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1198.8	1221.3	1213.3	1200.7	1221.30 (7/5)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	511.90	520.76	520.61	522.24	547.37 (30/3)	471.24 (13/1)
CAC 40 (31/12/87)	1877.21	1878.57	1920.49	1926.34	2035.91 (30/3)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	644.24	639.25	641.81	638.32	675.70 (10/3)	598.92 (14/1)
Commerzbank (1/12/53)	1800.90	1815.5	1823.4	1812.7	1906.10 (10/3)	1694.30 (14/1)
DAX (30/12/87)	1609.03	1611.92	1623.26	1623.16	1717.40 (11/3)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6739.23	6798.34	6795.52	6828.33	6894.90 (28/4)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1612.11	1498.71	1508.22	1521.45	1591.74 (16/4)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	532.62	543.08	540.76	541.55	547.25 (27/4)	448.33 (6/1)
MIB General (4/1/93)	1177.0	1200.0	1194.0	1196.0	1208.00 (27/4)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	21054.71	20811.38	20622.03	(c)	21054.71 (10/5)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1639.05	1620.77	1611.33	(c)	1639.05 (10/5)	1250.06 (25/1)
2nd Section (4/1/68)	2210.60	2163.40	2136.57	(c)	2210.60 (10/5)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	716.54	712.95	(c)	706.46	719.67 (30/4)	614.28 (13/1)
NETHERLANDS						
CBS Tt.Rtn.Gen.(End 1983)	338.7	325.9	325.4	325.9	332.70 (19/4)	295.70 (4/1)
CBS All Shr (End 1983)	219.3	217.7	217.6	217.9	223.50 (19/4)	192.80 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	600.91	612.03	627.94	622.45	627.94 (6/5)	663.52 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1642.62	1653.91	1643.50	1654.33	1654.33 (5/5)	1270.58 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	441.42	443.24	(c)	443.96	447.02 (3/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1451.0♥	1483.0	1477.0	1465.0	1506.00 (3/5)	775.00 (5/1)
JSE Industrial (28/9/78)	4364.0♥	4398.0	4393.0	4383.0	4645.00 (10/2)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	704.22	703.85	710.80	(c)	737.59 (22/4)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	240.39	241.29	242.77	242.90	247.03 (23/4)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1068.4	1068.7	1059.0	1052.1	1068.70 (7/5)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	975.4	969.3	969.5†	969.0	975.40 (10/5)	904.80 (11/1)
SBC General (1/4/87)	745.5	740.1	741.3†	740.9	745.90 (2/4)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4587.12	4573.42	4492.48	4449.32	5013.28 (7/4)	3098.43 (6/1)
THAILAND						
Bangkok SET (30/4/75)	841.84	845.39	845.13	(c)	938.44 (25/1)	828.10 (4/5)
WORLD						
M.S. Capital Intl.(1/1/70) $	582.4*	583.1	582.4	585.2	585.20 (5/5)	488.60 (13/1)
Euro Top-100 (26/6/90)	955.98	954.50	957.97	956.13	988.47 (22/4)	862.73 (13/1)

**Saturday May 8: Taiwan Weighted Price; 4,678.14, Korea Comp Ex. 703.16.
♥ Subject to official recalculation. †-Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Monday 10, May 1993

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Heavy	19.8m	744	+10
Green Cross Corp	11.6m	1,440	+80
Keisei Electric	10.5m	1,370	+10
Nippon Steel	9.0m	414	+10
Sumitomo Mtl Min	8.9m	1,080	+20
Japan Steel Wks	8.3m	525	+33
Kumagai Gumi	8.0m	623	+24
Nippon Jutaku ♥	6.7m	385	+22
Nippon Oil	6.4m	882	+2
Shionogi & Co	6.0m	970	+63

4 pm close May 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
13¾	11½	AAR Corp x	0.48	3.7	24	145	u13½	13⅛	13⅛	-⅛
27¼	20	A L Labs A	0.18	0.7	39	105	24⅜	24⅛	24¼	
63½	54⅝	AMP Inc	1.60	2.5	22	4080	63⅛	62¾	62¾	-½
71⅝	55½	AMR			10	3818	68⅛	67¾	67¾	+⅛
2¼	1¼	ARX			12	32	2⅛	2	2	
45⅞	29⅞	ASA	2.00	4.3	30	394	u45⅞	46½	45¾	+⅝
30¾	22⅝	Abbott Lab	0.68	2.5	17	7231	27¾	27⅜	27⅜	-⅛
12⅝	10¼	Abitibi Pr	0.50	4.0	5	3	12½	12½	12½	
11¾	10¾	ACM Gvt In x	0.96	8.3		289	11⅝	11½	11½	
9¾	9⅛	ACM GvOpp x	0.79	8.2		34	9⅝	9⅝	9⅝	+⅛
9⅝	8¾	ACM Gvt Sp x	0.79	8.4		122	9½	9⅜	9⅜	-⅛
11⅞	10½	ACM Gvt Se	0.96	8.6		330	11¼	11⅛	11⅛	
11	9⅝	ACM Man x	1.08	9.9		306	10⅞	10¾	10⅞	
9⅜	8⅝	ACM Mangd x	0.72	7.9		247	9⅛	9	9⅛	+⅛
9⅞	7¾	Acme Cleve	0.40	4.2	12	130	9½	9⅜	9½	+¼
9¼	6½	Acme Elect			800	176	8	7½	8	+⅛
16	12	Acuson			13	630	12¼	12⅛	12⅛	-⅜
22¼	19⅝	Adams Expr	0.48	2.3	1	119	21	20⅞	20⅞	
68	45½	Ad Micro	3.00	4.9		276	61½	60¾	60¾	+½
32¾	17⅝	Ad Micro P	3.00	10.1	12	5255	30	29½	29⅝	+⅛
7¾	5½	Advest Grp	0.16	2.5	10	48	6½	6⅜	6⅜	
49⅜	41⅛	Aegon ADR	2.95	6.4	8	28	46	45¾	45¾	-⅛
53¾	43⅜	Aetna Lf x	2.76	5.2	167	2289	u53¾	53⅛	53⅜	+½
14½	11½	AHR A x	0.26	2.1	28	1077	12½	12⅛	12⅛	-⅛
40¼	33	Aflac x	0.50	1.3	17	1193	39⅜	38½	38⅝	-⅛
22½	16¾	Ahmanson x	0.88	5.0	14	1015	17⅝	17½	17⅝	+⅛
7¾	4⅝	Aileen Inc			17	389	5⅛	5	5	-¼
48½	40⅜	Air Pr Chem	0.86	2.0	17	1724	43½	42¾	42⅞	-½
24¼	18⅛	Airbne Frt x	0.30	1.4	85	469	21⅜	20⅞	21¼	+¼
26½	18¼	Airgas Inc			34	61	24⅞	24⅝	24¾	+¼
14⅜	10½	Airlease	1.60	11.4	11	121	14⅛	13⅞	14	
105	101	AlaPw8 16	8.16	8.0		5	104	104	102½	
105½	102½	Alab 8.28C	8.28	7.9		z100	104½	104½	104½	
18	15⅝	Alaska Air	0.20	1.2	2	365	16¾	16⅛	16½	-¼
17¾	14¼	Albany Intl	0.35	2.1	121	z100	17	17	17	
28¼	23½	AlCulvr B	0.26	1.0	18	103	25½	25⅛	25½	+⅜
25¼	21⅞	AlCulvr A	0.26	1.1	17	313	23½	23¼	23¼	
57⅞	46¾	Albertsons x	0.72	1.3	27	2042	57¼	56	56½	
19¾	16⅞	Alcan Alum	0.30	1.6	30	4254	18½	18⅛	18¼	
48½	35¾	Alco Stand	0.96	2.0	19	828	47⅞	46⅝	47⅛	-½
24⅝	19⅝	AlexBrown x	0.50	2.4	5	710	21¼	20⅝	21	+¼
28⅞	24	Alexr Alex	1.00	3.8	23	707	26¼	25⅞	26⅛	-⅜
44⅞	34	Allegh Lud	0.88	2.0	24	506	44	43⅝	43⅞	+¼
53½	46⅞	Allegh Pow	3.24	6.1	14	470	u53½	53⅜	53½	+⅛
36⅜	29	Allen Gp x	1.75	4.9		185	35⅜	35⅜	35⅜	
35⅞	25⅞	Allen Con	0.24	0.7	19	62	35½	35⅛	35¼	
26⅜	21⅛	Allergan	0.40	1.7	14	998	24½	24⅛	24⅛	-½
23¼	18⅜	Allnce Cap x	1.38	6.9	15	291	20⅛	19½	19¾	-⅛
10¼	9⅜	Allnce Gl	0.18	1.8		120	9¾	9⅝	9¾	+⅛
24⅜	16¾	Alld Irish	0.92	4.0	14	16	22¾	22½	22¾	+¼
70½	57½	Alld Sig	1.16	1.8	15	3283	63⅝	62⅞	62⅞	
11⅜	9⅞	AlstMunTr	0.78	6.9		156	u11⅜	11⅛	11¼	
9⅞	7½	AlstIncOp	0.63	7.3		401	8¾	8½	8⅝	
10½	8½	AlstMnInc	0.72	7.7		138	9⅝	9½	9⅜	
10¼	8⅞	AlstMnInc	0.60	5.9		21	10⅛	10	10⅛	
53½	45¾	Alltel Crp	1.60	3.0	20	553	52¾	52⅛	52¾	+½
7¾	5⅜	Allwaste			17	279	5¾	5⅝	5⅝	-⅛
72⅜	59	Alcoa x	1.60	2.5	203	5216	63⅞	63⅛	63⅛	-½
47⅛	25¼	Alza Cp A			30	2447	30¼	29½	29½	-⅞
12¼	10⅞	AmGovInc x	0.96	8.1		143	11⅞	11¾	11⅞	+⅛
9	6⅝	Am Precis	0.24	3.5	22	59	7	6⅞	6⅞	-⅛
19¾	16	Amax	0.40	2.5	8	4144	16¼	16⅛	16⅛	-⅛
9⅜	6⅞	Amax Gold	0.08	1.1	125	3518	7¾	7⅜	7½	+¼
20¾	15½	Amcast Ind	0.48	2.3	14	385	u21⅛	20½	21	+½
56¼	45¾	Amerada Hs	0.60	1.2	123	1809	52⅞	52	52	-1½
10¼	9¾	Am Adj R x	0.53	5.4		105	9⅞	d9¾	9⅞	
17½	11⅛	Am Barrick	0.02	0.1	28	3337	u17¾	17½	17½	
40⅝	28½	Am Brands	1.97	6.1	7	4194	32⅞	32¼	32⅜	+⅛
21¾	17⅛	Am Build M	0.50	2.4	14	39	20¾	20½	20¾	
31	24⅞	Am Bus Prd	0.75	2.9	13	17	25½	25⅜	25½	+⅛
8¼	7⅝	Am Cap Inc x	0.76	9.4		310	8⅛	8	8⅛	+¼
21⅞	20	Am Cap Bd	1.52	7.2	37	103	21⅛	20¾	21⅛	+¼
22⅛	20¼	Am Cap CV	1.16	5.3	0	64	22	21⅞	22	+½
58⅛	46	Am Cyanamd	1.75	3.4	11	1088	52⅞	51⅞	51⅞	-⅞
38½	32	Am El Power x	2.40	6.6	14	2414	36⅛	35⅞	36⅛	+⅜
29¼	22⅛	Am Express	1.00	3.6	34	7154	28	27⅝	27¾	-⅛
33¼	27¼	Am Genl Co	1.10	3.9	11	2034	28½	28⅛	28⅛	+¼
9¾	8¾	Am Govt In x	0.77	8.1		269	9½	9⅜	9½	
26⅜	18⅞	Am Hlth Pr x	2.22	8.8	68	885	25½	25⅛	25¼	-⅛
37¼	28⅜	Am Heritge x	0.60	1.6	17	2	u37¾	37½	37¾	+½
69	55½	Am Home Pr x	2.84	4.3	13	2993	66⅝	65½	65½	-⅜
2½	2	Am Hotels	0.75	31.6	8	z100	2⅜	2⅜	2⅜	
132¼	110⅛	Am Intl Gr	0.56	0.4	16	1857	130⅞	129¾	130	+½
½	0.24	Am Intrnl			0	801	¼	d0.24	0.24	
1⅝	¼	Am Intl Pf	2.00	200.0		20	1	1	1	
12⅛	11	Am Opp Inc x	1.00	8.4		275	12	11⅞	11⅞	
50⅛	37½	Am Presdt x	0.60	1.3	10	462	48¼	47½	47¾	+⅜
9½	6⅞	Am Real Es	0.50	6.6	9	181	7¾	7⅝	7⅝	
2½	1¾	Am Ship Bd			1	74	2¼	2⅛	2⅛	-⅛
44⅞	36¼	Am Stores	0.30	1.9	14	1487	43	41¾	42	-1
60⅜	50¼	AT&T	1.32	2.4	19	15548	56½	55⅞	56	-⅜
20	18¾	Am Watr 5% x	1.25	6.5		3	19¼	19¼	19¼	-⅜
28	25	Am Watr	1.00	3.8	12	270	26¾	26⅝	26⅝	-⅛
80	70⅛	Ameritech	3.68	4.9	15	2078	75⅜	74⅝	74⅞	+⅜

- B -

- C -

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- P - Q -

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4 pm close May 10

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	15½	S Anita Rt	1.36	7.4	20	431	18½	17⅝	18⅜	+⅝
20¾	17	SCOR US Cp	0.32	1.7	47	13	18⅞	18⅝	18⅞	+⅛
26¾	20	SPS Techno	1.28	4.9	19	85	26⅝	26⅛	26⅜	
14½	12⅞	Sabine Rt	2.09	14.5	11	82	14⅜	14¼	14⅜	+⅛
13⅛	8⅞	Safecard	0.10	0.8	15	451	12⅜	12⅛	12¼	+⅛
23½	17	Safeg'd Sc			6	126	18¾	18½	18⅝	
24¾	16¼	SafetyKln	0.36	2.1	23	919	17¼	17	17	
16¾	10⅞	Safeway			18	2789	u15¾	15¼	15½	-¼
3⅜	2	SafewayWS6				372	3¼	3⅛	3⅛	-⅛
44½	37½	StJoePaper	0.20	0.5	76	146	39⅜	38⅞	39	-⅜
37⅝	31	StJoeLBP x	1.76	4.8	16	28	36⅝	36½	36½	-⅛
83¼	75	St Paul's	2.80	3.4	12	519	81⅞	81⅝	81⅝	-¼
9⅝	7⅞	Salant Crp			4	27	8¾	8⅝	8¾	-⅛
75¼	42½	Sallie Mae	1.20	2.4	11	1812	50½	48½	50⅛	+⅛
13⅞	13	Salomon Br x	0.36	2.7		486	13½	13⅜	13½	+¼
41⅞	34⅞	Salomocinc	0.64	1.7	19	1376	36¾	36⅜	36⅝	+¼
26⅞	23¼	SanDgo G&E	1.48	5.7	14	5488	26¼	25¾	26⅛	
4⅞	3½	SantaFeEDu	0.40	10.7	41	79	3⅞	3¾	3¾	
11⅞	9⅛	SantaFeERs	0.16	1.4	112	700	11⅜	11	11⅛	-⅛
40¾	35¾	SantaFePac	2.80	7.3	13	25	38⅝	38	38½	
16⅝	12¾	SantaFeSth	0.10	0.6	18	3657	16¼	16	16⅛	+⅜
31⅛	23⅞	Sara Lee	0.58	2.3	19	8119	25¾	25¼	25⅜	-⅜
46⅞	40⅛	Scana Corp	2.74	5.8	15	271	u47	46¾	46⅞	
49⅝	43	Scecorp	2.80	5.8	14	2527	48⅝	48¼	48⅜	-⅛
38⅞	23⅞	SchererRP			26	528	29	28⅝	29	-⅛
68½	51¾	SchengPl x	1.80	2.7	17	3001	66½	65½	65½	-¾
66	55⅜	Sch'berger	1.20	1.9	23	2520	63⅞	63½	63¾	-½
39	24⅞	Schwab(C) x	0.30	0.9	15	1452	33⅝	33⅛	33½	+⅜

NASDAQ NATIONAL MARKET

4 pm close May 10

AMEX COMPOSITE PRICES

4 pm close May 10

FINANCIAL TIMES Tuesday May 11 1993

AMERICA

US markets stronger on short-covering

Wall Street

THE US stock markets broke out of their four-day slump yesterday as a burst of short-covering by dealers at the opening sparked a round of early buying, *writes Patrick Harverson in New York.*

At 1 pm. the Dow Jones Industrial Average was up 27.13 at 3,464.32. The more broadly based Standard & Poor's 500 was 2.65 firmer at 444.96, while the Amex composite was up 1.34 at 427.40, and the Nasdaq composite up 1.98 at 683.42. Trading volume on the NYSE was 126m shares by 1pm.

The week opened with investor sentiment still subdued amid growing concern about the economy, but there was some good news from Europe, where the existence of a fragile ceasefire in Bosnia reduced the likelihood that President Clinton would order an immediate military intervention in the region by US-led UN forces. Last week, analysts attributed some of the softeness in markets to concern that US troops would soon become enmeshed in the Yugoslav civil war.

Political factors aside, and in the absence of fresh economic data, the markets yesterday were primarily hostage to technical forces.

At the opening, dealers bought stocks to cover recently-established short positions, both in the underlying cash and futures markets. This lifted prices sharply in the first hour, and persuaded investors to join in the buying, allowing the markets to gain some momentum for the first time in a while.

Gains were noticeable in several sectors that fared poorly last week. Airline stocks rallied. AMR, parent of American, firmed $1¼ to $68¾, UAL added $1⅞ at $137⅞, Delta rose $½ to $57⅝ and USAir gained $⅜ at $21⅞.

There was a similar pattern to trading in drug stocks, which also recovered from recent losses. Johnson & Johnson rose $⅜ to $44, Bristol-Myers Squibb added $⅜ at $60⅝, Merck firmed $⅝ to $37⅝ and Pfizer rose $⅝ to $69¼.

Eastman Kodak rose $1¼ to $50⅜ after two broking houses, Merrill Lynch and Wertheim Schroder, raised their ratings on the stock, apparently in anticipation that the company will soon announce the sale of an asset.

Some cyclical stocks were in demand, notably Caterpillar, up $1½ at $69⅝, General Electric, $⅝ firmer at $94⅞ and Minnesota Mining & Manufacturing, up $⅞ at $115⅛.

Philip Morris, which rose last week on the news that rival tobacco manufacturer RJR Nabisco was discontinuing price cuts on its discount brands, made further strides, rising another $1⅝ to $52⅝ in volume of 3.2m shares.

On the Nasdaq market, Microsoft rose $2⅜ to $89⅝ after brokerage firm Alex Brown made positive comments on the company.

Canada

TORONTO shares were mixed in midday trading, with weakness in the paper and forestry sector offset by strength in gold issues, which continued to rally on higher gold prices. The TSE-300 index eased 1.85 to 3,777.21.

Noranda, the most active issue at midday, rose C$¼ to C$20⅞. The financial services sector was off 1.61 to 2,910.08, with Scotiabank down C$⅛ to C$25⅞.

SOUTH AFRICA

GOLD'S failure to recapture weekend losses and a generally poor outlook for industrials further depressed sentiment. The golds index shed 22, or 1.5 per cent, to 1,461, industrials 34 to 4,364 and the overall index 24 to 3,747.

EUROPE

Milan sheds 1.9% on Fiat, Generali weakness

BOURSES made a restrained start to the week with the outcome of the Danish referendum on Maastricht continuing to weigh on some investors, *writes Our Markets Staff.*

MILAN was hit by weak Fiat and Generali stocks and technical selling ahead of tomorrow's expiry of monthly options contracts and Friday's end of the monthly trading account. The Comit index shed 10.46 or 1.9 per cent to 532.62.

Some investors were also disappointed not to have seen a ½ point cut in the discount rate from its current 11 per cent in response to the continuing strength of the lira and Friday's confidence vote victory for Prime Minister Carlo Azeglio Ciampi.

However, Mr Nicholas Potter of Credito Italiano International in London believed that the new government would need to make progress on its additional fiscal package before the Bank of Italy would move.

Fiat continued to be hit by last week's poor April car sales data and fears of a dividend cut. The shares fell L271 to fix at L6,330 before easing to L6,320 after hours.

Generali dipped L1,000 to settle at L37,950 and then slipped to L37,925 after-hours as analysts sought clarification of the complex Alleanza rights issue, announced late on Friday, before concluding that it would not be unfavouable for shareholders. Alleanza fell L672 to L17,035.

FRANKFURT closed marginally lower amid thin volume after early selling tested the 1,600 level. The DAX index closed down 2.89 to 1,609.03 after hitting a low 1,600.73, in turnover of DM5.3bn.

Most stocks fell in line with the index. Commerzbank, however, plunged DM15 or 5.1 per cent, to DM277 on worries over Hafnia Holding, the Danish insurer which filed for bankruptcy yesterday. Commerzbank is one of Hafnia's leading creditors. Investors were slow to react to an announcement by Hoechst and Schering that talks were underway to merge the companies' agriculture chemicals sectors. While traders said the move would help the companies save costs, Hoechst fell DM2 to DM234, while Schering declined DM1 to DM768.50.

ZURICH put in a firm performance with the strong dollar and hopes for lower interest rates behind a 16.5 rise in the SMI index to 2,179.1.

Trading centred on UBS bearers, SFr6 higher at SFr933, and Roche certificates, SFr70 ahead at SFr4,520.

CS Holding added SFr50 to SFr2,530 after Standard & Poor's, the US rating agency, said that it had left the rating of Credit Suisse unchanged.

PARIS was moribund ahead of the government's budget statement which came just after the close. The CAC-40 index slipped 1.36 to 1,877.21. Among the movers UAP, off FFr6 at FFr525, and Paribas, down FFr7.50 at FFr405.50, were affected by news that Hafnia was filing for bankruptcy.

AMSTERDAM saw KLM move ahead Fl 1.10 to Fl 28.20 as the airline announced closer co-operation with Garuda of Indonesia and made an upbeat statement on plans with three other European airlines to defend market share. The CBS Tendency index rose 0.9 to 108.8.

STOCKHOLM lost a little momentum in late trading after early gains on news of an agreement between employers and unions in the industrial sector on a new two-year contract for employees. The Affärsvärlden index closed down 0.30 at 1,068.40 in turnover of SKr1.2bn, with some profit-taking in evidence following recent strong gains. Since the beginning of the year the index has risen some 15 per cent.

COPENHAGEN was hit by a latest opinion poll over the Maastricht treaty indicating a narrowing of the gap between supporters and opponents. The KFX index lost 0.48 to 87.37. The index had been strong recently on hopes of a positive vote on the May 18 referendum, but the latest Gallup poll taken Sunday showed 46 per cent approved the treaty while 34 per cent opposed the issue.

Den Danske Bank was hit by Hafnia Holding, the Dutch insurer, filing for bankruptcy. The bank, a leading creditor to Hafnia along with Commerzbank of Germany, fell DKr8 to DKr319.

ISTANBUL surged 6.5 per cent, the 75-share index rising 1.11 to 7,864.52.

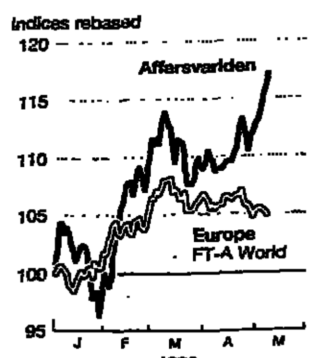
FT-SE Actuaries Share Indices

May 10. THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1138.83	1139.30	1139.82	1142.12	1142.45	1142.43	1141.49	1142.74
FT-SE Eurotrack 200	1197.43	1196.72	1198.08	1200.12	1200.70	1200.40	1202.20	1203.54

	May 7	May 6	May 5	May 4	Apr 30
FT-SE Eurotrack 100	1142.41	1152.03	1153.13	1148.16	1144.33
FT-SE Eurotrack 200	1200.34	1205.10	1206.61	1207.82	1206.79

Base value 1000 (26/10/90) High/day: 100 - 1142.87; 200 - 1203.54 Low/day: 100 - 1138.43 200 - 1196.07.



Source: Datastream

ASIA PACIFIC

Nikkei regains 21,000 level on late futures activity

Tokyo

LATE short-covering in the futures markets triggered program buying that erased the entire session's losses and lifted the Nikkei average above the 21,000 level for the first time since last year, *writes Wayne Aponte in Tokyo.*

The 225-issue average ended 243.35, or 1.2 per cent, higher at 21,054.71, after moving between 20,668.31 and 21,062.64. The last time that the index settled above 21,000 was on March 4, 1992. The Topix index of all first section issues rose 18.28 to 1,639.05, and in London the ISE/Nikkei 50 index firmed 1.41 to 1,279.12.

Volume was estimated at 500m shares, compared with Friday's final 587m. Advancing issues overwhelmed declines by 839 to 228, with 127 issues unchanged.

The day's advance will provide a boost to investors in the short term, but the question facing equity trading is whether the Nikkei will maintain current levels.

Mr Masanori Hoshina, a manager of futures trading at Cosmo Securities, described the gains made in the final minutes of trading yesterday as a "mirage" which had minimal connection to fundamentals. Other brokers said the market was still considered expensive and that institutional investors pressed for revenue may sell into any subsequent advance above 21,000.

The pharmaceutical sector was targeted aggressively. Green Cross rose Y80 to Y1,440 on a weekend report that the company will conduct gene therapy for people infected with the HIV virus which causes Aids. Shionogi, a leading pharmaceutical maker, gained Y83 at Y970, while Ono Pharmaceutical advanced Y200 to Y5,900.

Foreign investors purchased shipbuilding issues. Mitsubishi Heavy Industries, the day's most active stock, rose Y10 to Y7,011, Mitsui Engineering and Shipbuilding Y8 to Y477 and Ishikawajima-Harima Heavy Industries Y6 to Y535.

But profit-taking pressured Canon after the company cut its consolidated pre-tax profits forecast on Friday by about 37 per cent for this calender year due to the appreciation of the yen against the dollar. The shares lost Y50 to Y1,480.

Other issues in the export-related sectors also lost ground: Sony slipped Y40 to Y4,850, TDK Y20 to Y3,980 and Pioneer Electronic Y20 to Y2,580.

In Osaka, the OSE average ended 230.99 higher at 22,953.57 in volume of 29.4m shares.

Roundup

MANY OF the region's markets were weaker yesterday.

HONG KONG met downward pressure from a slide in HSBC Holdings. The Hang Seng index declined 62.42 to 6,739.23 in turnover that contracted to HK$4bn from last Friday's HK$4.7bn.

HSBC receded HK$1 to HK$68 and its Hang Seng Bank unit lost HK$1.50 to HK$55.50. HSBC is plagued by suggestions that it has been linked to the Indian stock market scandal. It has 23 offices in India.

Cheung Kong dipped 30 cents to HK$26.60, while Hutchison was unchanged at HK$20.40.

AUSTRALIA was unsettled by a lower earnings forecast from Brambles Industries, the transport group. The All Ordinaries index closed 13.3 lower at 1672.0.

Brambles weakened 94 cents to A$13, its lowest since November 1990.

Elsewhere, BHP lost 14 cents to A$13.90 and CRA slipped 22 cents to A$12.98.

Trade was subdued, with 256.9m shares worth A$282.3m changing hands. Falls outpaced rises by three-to-two. Brokers said that the market remained nervous, waiting for leads from overseas or for more promising profits results from the banks over the next two weeks.

BANGKOK closed slightly softer, although banks and finance and brokerage firms recovered some early losses. The SET index fell to a low of 836.20 in mid-afternoon trade before regaining ground to finish a net 3.55 off at 841.84. Turnover was thin at Bt1.9bn.

Bangkok Bank finished Bt1 ahead at Bt125 and Thai Farmers Bank was down Bt4 at Bt864.

MANILA was depressed by poor first-quarter earnings from Philippine Long Distance Telephone, and the composite index declined 11.29 to 1,642.62. Turnover amounted to 454.3m pesos, compared with Friday's 447.3m pesos. PLDT retreated 10 pesos to 990 pesos and Manila Electric dipped 2.50 pesos to 315 pesos.

SINGAPORE closed mixed, although sentiment remained firm, with Malaysian speculative OTC shares taking centre stage. The Straits Times Industrial index was down a slight 2.80 at 1,772.02.

Malaysia's Khong Guan Flour advanced S$26 to S$326 on rumours that the company would be used as a back door listing vehicle for a key Malaysian government-linked firm.

KUALA LUMPUR was steady, with activity focusing on speculative and plantation stocks, although profit-taking was widespread in the afternoon, dragging down most shares from their day's highs. The composite index ended 3.59 up at 716.54.

BOMBAY saw a sharp early rally but prices came back from their highs as public sector mutual funds took profits. The BSE index closed 11 higher at 2,230.75.

NEW ZEALAND slipped on weakness in the forestry sector, Fletcher Challenge losing 8 cents to NZ$2.56 and Carter Holt Harvey 4 cents to NZ$2.92. The NZSE-40 index fell 21.30 to 1,557.04 in turnover of NZ$19m.

Germany and France cast their shadows

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+0.77	-2.37	-16.82	+0.12	-1.50	+2.46
Belgium	-1.17	-5.69	+1.13	+8.19	+6.24	+10.52
Denmark	+4.86	+7.40	-9.26	+17.47	+16.06	+20.74
Finland	+2.04	+14.77	+49.16	+48.59	+38.68	+44.28
France	-2.57	-4.83	-7.26	+3.77	+3.35	+7.51
Germany	-0.91	-2.57	-9.03	+5.73	+4.02	+8.21
Ireland	-2.62	-3.10	+4.01	+23.47	+12.83	+17.37
Italy	+2.77	+6.41	+17.78	+27.38	+23.66	+28.63
Netherlands	+0.96	-1.48	+4.51	+9.42	+7.72	+12.07
Norway	-1.46	+2.05	-9.92	+13.80	+13.12	+17.67
Spain	-1.70	+1.83	-2.99	+12.67	+7.15	+11.47
Sweden	+3.07	+5.94	+14.91	+10.89	+3.20	+7.36
Switzerland	+1.52	-0.74	+11.44	+5.50	+4.12	+8.31
UK	-0.69	-0.52	+4.49	-0.37	-0.37	+3.64
EUROPE	-0.37	-0.86	+1.47	+4.86	+3.63	+7.81
Australia	0.00	+0.05	-2.44	+6.94	+5.90	+10.17
Hong Kong	-0.07	+9.53	+17.93	+24.09	+19.48	+24.30
Japan	-0.30	+3.30	+16.79	+23.03	+33.87	+39.26
Malaysia	+0.09	+9.40	+34.41	+20.92	+18.53	+23.31
New Zealand	-2.72	+1.23	+4.95	+4.27	+6.71	+11.03
Singapore	-1.60	+3.72	+8.03	+10.54	+8.17	+12.53
Canada	-0.70	+4.78	+6.50	+9.71	+5.50	+9.75
USA	+0.53	+0.14	+6.49	+1.43	-2.50	+1.43
Mexico	+1.84	-7.77	-8.21	-7.72	-12.09	-8.54
South Africa	+0.91	+6.03	+3.83	+19.49	+21.23	+26.11
WORLD INDEX	+0.01	+1.14	+8.46	+8.90	+9.11	+13.61

† Based on May 7th 1993.

By Emiko Terazono

In spite of a continued rally in the Scandinavian markets, weakness elsewhere in continental Europe depressed the region's overall performance.

Investors were unnerved by uncertainty over the Bosnian crisis which threatens economic and political stability in Europe, and continued gloom over the economic outlook. Germany moved lower amid a spate of corporate earnings announcements, while France was depressed by poor economic statistics.

The FT-Actuaries World index was virtually flat on the week, offset by the relative strength in the US, which itself was helped by a firm bond market.

Lower interest rates and hopes of a "yes" vote in the second Maastricht referendum lifted Denmark. Mr Yngve Ness, manager at Unibank Securities, believes that the market will be the best European performer this year. A further cut in interest rates is expected after the May 18 referendum and the bond yield curve is expected to normalise in the near term.

An increase in liquidity due to lower domestic interest rates has also helped Finland and Sweden. However, among the Scandinavian markets, Sweden remains vulnerable to the domestic political situation and a large budget deficit, and may face profit-taking in the short run if interest rates fail to decline further.

Mr Paul Brunker, strategist at Robert Fleming, reckons that dull trading in France and Germany will continue in the near term. Among strong performers in Europe, he selects Spain, which is likely to resolve the currency crisis in the near term, and Italy, where investor confidence seems to be returning.

Hong Kong was subdued on cautiousness over the Sino-British talks. However, Mr Peter Lyon, strategist at Smith New Court, believes that due to the close links between the colony's interest rates and US rates, the easing on US bond markets will help Hong Kong.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MAY 7 1993								THURSDAY MAY 6 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	137.84	+0.1	129.75	96.10	113.41	129.40	-0.5	3.82	137.63	129.97	95.92	112.99	130.04	144.19	117.39	149.52
Austria (18)	143.61	+0.7	135.19	100.13	118.16	117.53	+0.4	1.74	142.65	134.71	99.42	117.10	117.11	150.96	131.16	165.05
Belgium (42)	147.24	-0.6	138.60	102.65	121.14	118.19	-0.6	4.79	148.14	139.89	103.23	121.61	118.91	156.76	131.19	141.16
Canada (110)	126.92	-0.7	119.47	88.49	104.41	116.81	-0.6	2.83	127.79	120.67	89.05	104.89	117.56	127.86	111.41	126.66
Denmark (33)	224.72	-0.4	211.53	156.68	184.88	186.59	+0.0	1.22	225.64	213.08	157.25	185.23	186.59	225.64	185.11	239.27
Finland (23)	100.43	+0.8	94.54	70.03	82.63	113.54	+0.1	1.08	99.63	94.08	69.44	81.79	113.38	100.43	65.50	81.43
France (98)	158.23	-2.1	148.95	110.32	130.17	132.36	-1.9	3.39	161.56	152.57	112.59	132.62	134.89	167.36	142.72	164.23
Germany (62)	112.58	-0.9	105.98	78.51	92.62	92.62	-0.6	2.28	113.57	107.25	79.16	93.23	93.23	117.10	101.59	118.81
Hong Kong (55)	275.39	+0.3	259.23	192.00	226.58	273.25	+0.3	3.39	274.56	259.27	191.34	225.40	272.42	277.23	218.82	232.53
Ireland (15)	159.37	-0.9	150.02	111.11	131.12	145.86	-0.6	3.62	160.75	151.80	112.03	131.96	146.70	170.40	129.28	162.16
Italy (73)	70.58	+0.3	66.44	49.21	58.07	78.91	+0.4	2.56	70.36	66.44	49.03	57.76	78.59	70.58	53.78	69.99
Japan (470)	146.27	+0.4	137.69	101.98	120.36	101.98	+0.6	0.82	145.67	137.56	101.52	119.60	101.52	146.85	100.75	101.67
Malaysia (69)	322.41	+1.5	303.49	224.78	265.25	318.49	+1.5	2.12	317.78	300.09	221.45	260.86	313.86	324.36	251.66	242.75
Mexico (18)	1507.12	+1.0	1418.69	1050.80	1239.96	5187.28	+1.6	1.31	1491.60	1408.56	1039.51	1224.48	5104.52	1725.81	1410.30	1640.06
Netherland (24)	169.67	-0.1	159.71	118.30	139.60	137.53	+0.1	4.02	169.87	160.41	118.38	139.45	137.46	172.75	150.39	155.52
New Zealand (13)	47.62	+0.1	44.82	33.20	39.18	46.20	-0.1	4.73	47.56	44.91	33.15	39.04	46.23	49.32	40.56	44.62
Norway (22)	162.05	-2.5	152.54	112.98	133.32	147.14	-2.4	1.79	166.21	156.96	115.83	136.45	150.70	166.21	137.71	166.21
Singapore (38)	240.09	-0.7	226.01	167.40	197.53	178.30	-0.8	1.89	241.89	228.43	168.58	198.57	179.69	243.60	207.04	215.56
South Africa (60)	186.77	-0.5	175.81	130.21	153.66	187.78	+0.1	2.68	187.74	177.29	130.83	154.11	187.53	188.30	144.72	245.09
Spain (45)	129.98	-0.8	122.35	90.62	106.93	114.02	-0.8	5.31	131.08	123.79	91.36	107.61	115.00	132.82	115.23	152.68
Sweden (36)	177.74	+0.8	167.31	123.93	146.24	192.21	+1.3	1.75	176.25	166.43	122.83	144.69	189.81	177.74	149.70	191.76
Switzerland (58)	122.40	-0.7	115.22	85.34	100.71	108.32	-0.2	2.01	123.24	116.38	85.89	101.18	108.50	123.58	108.91	103.49
United Kingdom (218)	178.63	+0.5	168.15	124.53	146.95	168.15	+0.2	4.06	177.71	167.82	123.84	145.87	167.82	181.99	162.00	195.82
USA (519)	180.64	-0.2	170.04	125.95	148.62	180.64	-0.2	2.82	180.97	170.90	126.13	148.57	180.97	186.27	175.38	169.70
Europe (765)	146.63	-0.3	138.03	102.24	120.64	130.92	-0.3	3.40	147.02	138.84	102.46	120.70	131.27	149.02	133.92	152.75
Nordic (114)	169.44	+0.3	159.50	118.14	139.41	160.57	+0.6	1.55	168.91	159.51	117.72	138.66	159.63	169.44	142.13	179.94
Pacific Basin (713)	149.65	+0.4	140.87	104.34	123.12	107.97	+0.4	1.10	149.04	140.75	103.87	122.36	107.52	150.03	105.89	107.72
Euro-Pacific (1478)	148.29	+0.1	139.59	103.39	122.00	118.02	+0.1	2.03	148.10	139.85	103.20	121.57	117.86	148.94	117.26	125.94
North America (629)	177.29	-0.2	166.88	123.62	145.89	176.29	-0.2	2.83	177.65	167.76	123.82	145.86	176.65	182.36	171.51	167.01
Europe Ex. UK (547)	126.80	-0.8	119.36	88.43	104.35	109.87	-0.6	2.94	127.82	120.70	89.09	104.95	110.51	128.65	112.51	127.32
Pacific Ex. Japan (243)	183.30	+0.3	172.54	127.82	150.82	166.85	+0.1	3.26	182.69	172.52	127.34	149.99	166.65	184.84	152.70	167.29
World Ex. US (1666)	148.77	+0.1	140.04	103.73	122.40	120.02	+0.1	2.05	148.61	140.34	103.58	122.00	119.87	149.39	118.51	128.28
World Ex. UK (1967)	156.51	-0.1	147.32	109.13	128.78	135.75	+0.0	2.16	156.60	147.88	109.14	128.57	135.76	157.19	134.22	136.14
World Ex. So. Af. (2125)	158.37	+0.0	149.08	110.43	130.31	138.33	+0.0	2.34	158.37	149.56	110.38	130.02	138.31	158.98	137.29	140.59
World Ex. Japan (1715)	166.78	-0.2	157.00	116.30	137.24	158.90	-0.2	3.03	167.10	157.80	116.47	137.20	159.20	168.09	157.47	163.47
The World Index (2185)	158.46	+0.0	149.16	110.48	130.38	138.76	+0.0	2.35	158.46	149.64	110.44	130.09	138.75	159.07	137.32	141.28

Constituent changes with effect 11/5/93: Deletions: BBC Brown Boveri (P.C.) (Switzerland) and Norcen Energy A (Canada). Latest prices were unavailable for this edition. Danish market closed May 7.